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ABSTRACT

Intended to help teachers introduce concepts related to global economics, this book provides 16 detailed lesson plans for students of varying abilities from middle school through high school. Lessons 1-3 teach students about imports and substitutes, unequal resources, scarcity, interdependence, and trade. Lesson 4 provides activities for learning about a production possibilities curve, cost of production, and opportunity costs. A simulation game of free trade is provided in lesson 5 and lesson 6 teaches about absolute and comparative advantage and specialization. In lesson 7, students debate the case for expanded world trade vs. protectionism. Lessons 8-16 provide instruction about trade dilemmas in competitive and controlled markets, multinational corporations, communication problems in international trade, international trade in the state, international trade in the local community, international finance and exchange rates, international monetary systems, socioeconomic changes affecting farmers, and career opportunities in the international field. Each lesson plan identifies major concepts, objectives, materials, and procedures. Necessary student handouts and materials are provided. The book concludes with a series of review puzzles and a list of additional resources for teaching global economics. (LH)

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GLOBAL ECONOMICS FOR MIDDLE AND SECONDARY SCHOOL STUDENTS

EDITED BY SUZANNE S. EDDINGER

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CENTER FOR ECONOMICS EDUCATION
The University of Georgia
Athens, Georgia

GLOBAL ECONOMICS FOR MIDDLE AND SECONDARY SCHOOL STUDENTS

Edited by

Suzanne S. Eddinger

Produced by

The University of Georgia

Center for Economic Education

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1983

TABLE OF CONTENTS

Preface-- ii

We Are Citizens of the World------------------------------------- 1

Unequal Resources-- 7

Why Trade?--- 12

What's the Cost?--- 15

Tricks of the Trade-- 22

We Can Do It Better Than You!------------------------------------ 30

Trade Restrictions--- 44

Competition Vs. Cartels-- 55

Multinational Corporations--------------------------------------- 62

Communication Problems in International Trade------------------- 69

What's Happening in Your State?---------------------------------- 78

International Trade in the Local Community---------------------- 83

International Finance and Exchange Rates------------------------ 86

International Monetary System------------------------------------ 94

The Story of an Indian Farmer-----------------------------------100

Career Opportunities in the International Field-----------------104

Trade Puzzles---106

Some Sources of Materials for Teaching Global Economics---------122

PREFACE

As international trade becomes a more important part of our lives, the study of concepts related to global economics should occupy a more important place in our economics curriculum. This book is intended to help teachers more effectively teach these concepts. It provides a variety of detailed lesson plans for students of varying abilities from middle school through high school. The variety in the type of activity should make it easy for the teacher to choose those plans which are most appropriate for the age and ability level of the students. Also, there are a number of suggested reference materials for the economics teacher who wishes to enhance his/her own understanding of global economics concepts. We hope that these tools will promote an increased amount of high-quality instruction in this sensitive area.

The greatest portion of the work which was put into the compilation of this book was done by the participants of the International Economics Institutes held at the University of Georgia during the summers of 1980 and 1981. The institutes, under the direction of Dr. Elmer Williams, focused on the development of effective teaching skills in the area of global economics. I am indebted to the following people for their hard work and creativity:

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WE ARE CITIZENS OF THE WORLD

CONCEPTS: Imports, substitutes

OBJECTIVES: Upon completion of this lesson, students will:

1. Identify common goods of the household which are imported;
2. locate on a world map countries which produce selected U. S. imports;
3. Identify cases in which the U. S. is especially dependent on other countries because those countries produce goods or raw materials for which there are no good substitutes.

MATERIALS:

1. desk map of the world, at least four copies;
2. handouts, "U.S. Import Dependence and Import Sources";
3. wall map of the world.

PROCEDURES:

1. Begin the lesson by reading the following statement (developed by Dr. Mary Hepburn, Department of Social Science Education, The University of Georgia);

   "The United States is becoming more and more dependent on goods coming into the country from other countries of the world. A person can look around and see products manufactured in many foreign countries. For example, I wake up in the mornings to a Sony alarm clock radio manufactured in Mexico from parts produced in Japan. I bathe and brush my teeth with products produced by Proctor and Gamble, one of the largest U. S. multinational corporations. I dress in clothes produced in Taiwan, Korea, Hong Kong, and several other countries. Many leather goods that I wear such as shoes, belts and leather coats are produced in countries of South America such as Argentina and Paraguay. At breakfast I drink coffee which was probably grown in Brazil or Colombia. I load the dishwasher made by General Electric which is also a large U. S. multinational corporation. I start for work in my Chevrolet Monza produced in the United States from parts manufactured in Canada, Germany or some other foreign nation. The gas that makes the car go probably comes from one of the OPEC nations. On the road to work I meet many Japanese or German cars. When I get to work I use audio-visual equipment produced in other countries. After work I return home in my car. When I get home, I turn on my Sony radio or my made-in-Japan television and read my American newspaper printed on newsprint produced in Canada. There is no way around it. We are citizens of the world!"

2. Ask students to recall products produced in other countries from the case study. When a product is named, select a student to go to the wall map of the world and find the location of the producing country. The teacher may wish to have students attach a construction paper circle on each country located in order to provide students with a visual image of U. S. dependence on the world.

3. Divide students into two groups. Group one will be composed of thirteen students, the remainder of the class will be in the second group. The tasks of the two groups are as follows:

Group 1

1. Using the handout, "U. S. Import Dependence and Import Sources," members of the group will each select one mineral to research.

2. Using classroom encyclopedias or library reference materials, students are to:

   a. determine uses of the mineral;

   b. identify specific industries that would be affected if the U. S. were, for some reason or another, unable to obtain the mineral;

   c. determine possible consequences to consumers and/or society if products made with the mineral were no longer available.

Group 2

1. Instruct this group to subdivide, by interest, into the following subgroups: foods, household appliances and furnishing, clothing and transportation.

2. The task of subgroup members is to identify products from other countries used by their families.

    a. Explain that each group is to determine specific products of its category which are important and used by members of their families. Countries in which the imports are produced are to be designated on the group's desk map of the world. Point out that all members of each subgroup will contribute what they find to the one group map. (Note: Students may wish to further specialize within their topics; for example, the clothing group could break down into the categories of shoes, shirts, slacks, dresses, accessories, etc.)

    b. In class, have each subgroup brainstorm concerning possible imported items of their topic. Students may wish to further specialize.

    c. Students are then expected to identify specific examples of imported items in their homes through observation or discussion with their parents.

3. Conclude the lesson on the next day by having students give individual (Group 1) and group (Group 2) reports on what they have found.

4. After the reports have been given, focus students' attention on whether there are good "substitutes" for the imported items reported. For most of the items reported by Group 2, there will be acceptable substitute goods. This will not necessarily be the case for most of the minerals reported on by members of Group 1. It is important that students understand that the U. S. is especially dependent on countries which produce products or raw materials for which there are no good substitutes at the present time. Thus, U. S. economic dependence on such countries will often result in favorable political relations. Ask students to provide additional examples of imported materials or products for which there are no good substitutes at the present time.

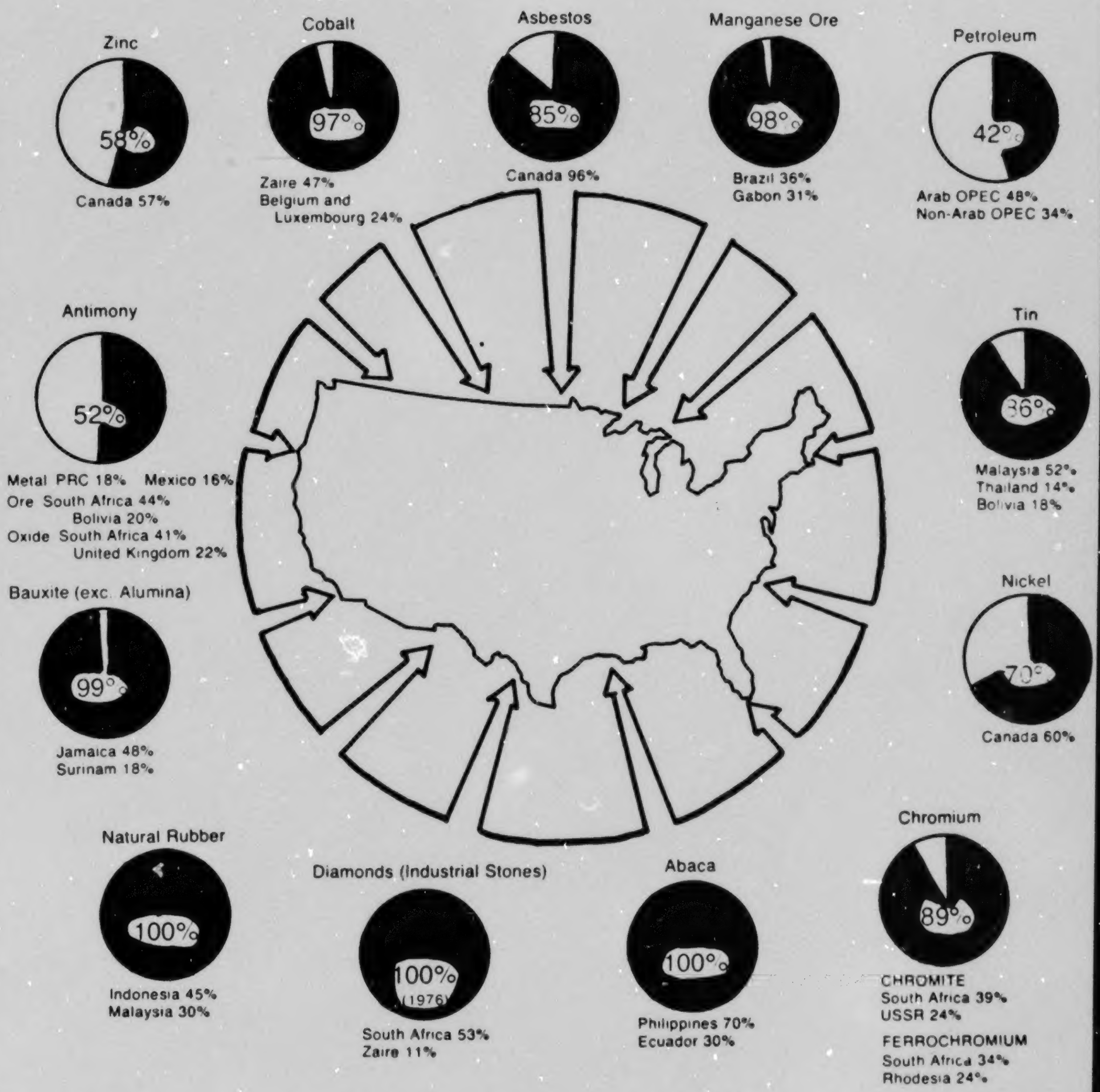
5. The teacher may wish to have students discuss th following question:

    "Should the U. S. government build strong ties w governments of countries on which the U. S.

dependent for non-substitutable goods or raw materials when those foreign governments conduct or support activities which are not consistent with U. S. political or defense policy?"

U.S. IMPORT DEPENDENCE AND IMPORT SOURCES[1]

(1977 estimates except where noted.)



Figures within the circles represent total U.S. imports. Figures outside the circles indicate principal foreign suppliers and th percentage they comprise. For example, the U.S. imports 85% of its asbestos; 96% of that comes from Canada and 4% come from other foreign sources.

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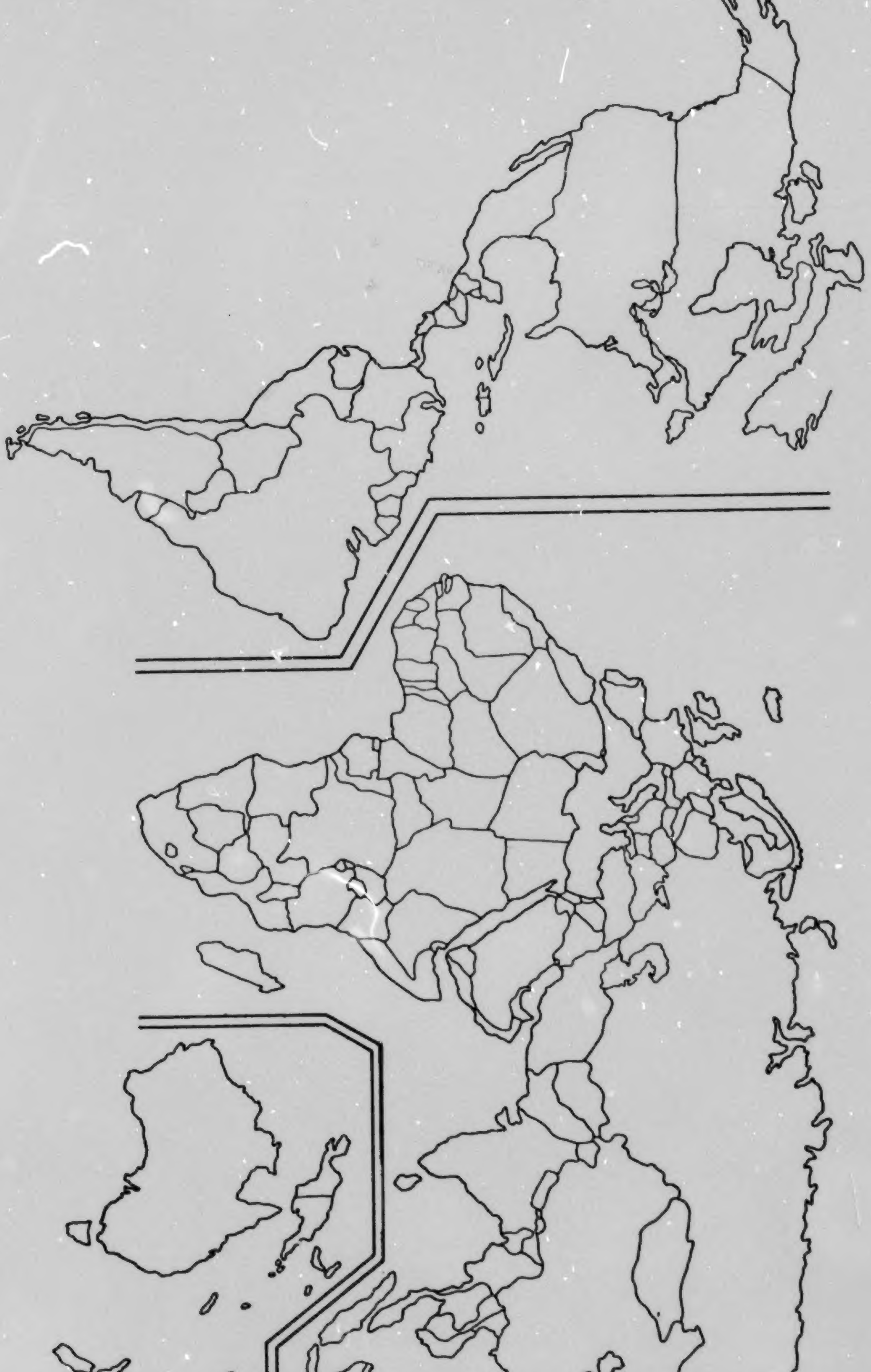
[1] Taken from The Trade Debate, Department of State Publication 8942, May, 1979.



Cartographic Services
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UNEQUAL RESOURCES

(Developed by Dr. Margit McGuire, Seattle Pacific University)

CONCEPTS: Scarcity, interdependence, conflict, trade

OBJECTIVE: Following the playing of the simulation, "Unequal Resources," students will analyze the ramifications of the distribution of unequal resources by answering questions in the debriefing period.

MATERIALS:

1. Task sheet - one for each of the four groups
2. Four large manila envelopes
3. Three pairs of scissors
4. Twenty paper clips
5. One ruler
6. One bottle of glue
7. Two felt pens
8. Two pencils
9. Colored paper (8 1/2" X 11") - two sheets of red, five sheets of gold, three sheets of green, one sheet of purple
10. Discussion questions - one copy for each of the four groups

In advance, assemble the materials as follows:

Tape or glue a copy of the task sheet on the outside of each envelope and then enclose these materials in the four envelopes.

Envelope #1 - Two scissors, one ruler, twenty paper clips, two pencils, two 4" squares of red paper and two 4" squares of white paper
Envelope #2 - One scissors, one bottle of glue, and sheets of paper - two of each of the following colors: blue, white, gold
Envelope #3 - Two felt pens and sheets of paper - two of each of the following colors: green, white, gold
Envelope #4 - Sheets of paper - one of each of the following colors: green, gold, blue, red, purple

PROCEDURES:

1. Tell students that they are going to be participating in an activity in which they will be asked to perform tasks to meet the needs and wants of a country.

2. Divide the class into four groups. (If groups are larger than five students each, the teacher may want to have two "worlds" of four countries each.)

3. Assign each group a table or area of the room and ask groups to make up a name for its country. (If two "worlds" are playing, place the names of the countries of each "world" on separate panels of the chalkboard.)

4. Distribute the envelopes but tell the students not to open the envelopes until the teacher has given permission. Instruct students to read the task sheet. Answer any questions students may have about the groups' tasks.

5. Explain to the groups that resources vary from country to country and they may bargain between countries to obtain the needed resources to complete their tasks. All countries must complete the same tasks. (If two "worlds" of four countries each are playing the game, tell students that they can only trade with the other countries in their "world".)

6. Ask students to notify the teacher when their group has completed all the tasks listed. Explain that you will keep a record on the chalkboard of the order in which the groups or countries complete their tasks.

7. Give the signal to begin and observe students interacting. It is suggested that the teacher take written notes of the simulation noting actions that demonstrate the ramifications of the distribution of unequal resources. This data collected can be used as a basis for analysis in the debriefing.

8. Once a group completes its tasks, check the group's work and draw attention to the fact that that country has completed all its tasks. While the teacher does not want to stress competition, competition will be keen among the participants. If there are two sets of groups or "worlds" and one country in one of the "worlds" completes all its tasks, ask the question, "Which 'world' will finish first?" The response among participants may be that the countries of the

"world(s)" will begin to cooperate. Keep a record of the countries' order of finish on the chalkboard.

9. Once all countries have completed their tasks, draw attention to the variation in products produced by each country.

10. Distribute a copy of the discussion questions to each group and ask students to discuss the questions together and be prepared to share their responses with the class. (The teacher may wish to distribute copies of the discussion questions as groups complete their tasks. Students can then quickly discuss the questions while other countries are completing their tasks.)

11. Begin debriefing by using the four general discussions provided on the discussion sheet. Then, depending on the ability of the group, select some of the more specific questions listed below for class discussion.

    a. What resources did the countries have? (Let groups report what they were given in the envelopes.)
    b. Which country was rich in "capital"? Which country was rich in "natural resources?"
    c. Can you give examples of innovative or unusual ways in which countries completed their tasks?
    d. Why do you think there was a wide variation in the way the tasks were completed?
    e. How did countries get the materials necessary to complete their tasks?" (Generally, trading, loaning, and giving - foreign aid - will be exhibited in the simulation.)
    f. What countries of the real world are most like Country A? Country B? Country C? Country D? (Insert the names groups have given to their countries.) How are these countries interdependent?

12. To bring closure to the lesson, ask students to summarize either orally or in writing what they learned from this simulation.

DISCUSSION QUESTIONS

1. COULD YOU HAVE COMPLETED YOUR TASKS WITHOUT GETTING RESOURCES FROM ANOTHER COUNTRY? WHY OR WHY NOT?

2. HOW DID YOUR COUNTRY SOLVE THE PROBLEM OF NOT HAVING ALL THE RESOURCES IT NEEDED?

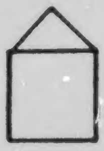
3. WERE THERE ANY CONFLICTS BETWEEN COUNTRIES? WHY OR WHY NOT?

4. HOW DID YOU FEEL WHEN YOU REALIZED THAT RESOURCES WERE UNEQUALLY DISTRIBUTED?

UNEQUAL RESOURCES TASK SHEET

YOUR GROUP IS IN THE POSITION OF TRYING TO PROVIDE CERTAIN NEEDS AND WANTS FOR YOUR COUNTRY. THESE NEEDS AND WANTS ARE MET BY COMPLETING THE TASKS LISTED BELOW.

1. FOOD - MAKE FOUR STRIPS OF GOLD PAPER EACH THREE INCHES BY ONE INCH.
2. CLOTHING - MAKE A GREEN "T" FOUR INCHES HIGH.
3. INDUSTRY - MAKE A FOUR-LINK PAPER CHAIN, EACH LINK OF A DIFFERENT COLOR.
4. SHELTER - MAKE A WHITE SQUARE TWO INCHES TO A SIDE AND ATTACH A GOLD TRIANGLE TO ONE SIDE OF THE SQUARE. FOR EXAMPLE:



5. EDUCATION - MAKE A FOUR-PAGE BOOK OUT OF TWO DIFFERENT COLORS. REMEMBER THAT THE BOOK MUST HAVE PRINTING OR PICTURES ON EACH PAGE.

WHY TRADE?

CONCEPTS: Scarcity, trade

OBEJECTIVES: Following this activity and discussion, students will:

1. state that both parties expect to benefit from a trade;
2. give examples of trades they have actually made;
3. give examples of U. S. trade with other countries.

MATERIALS:

1. Four or five different items which would be desired by many members of the class, e.g., candy bars, comic books, theater passes, etc.
2. Cardboard box

PROCEDURES:

Part A - Making Trades

1. Display the four or five selected items on a desk or table in the front of the class. Introduce the items to the group or let students quickly come up and examine the items. Ask, "How many of you would like to have one or more of these things?" Tell the class that you are going to give the items away. Ask, "What problem(s) do I have in giving the items away?" Students should respond that there are not enough items for all of the students who would like to have one or more of them. If students do not mention the term "scarcity," probe with questions until the concept is named and defined.

2. Explain that using the criterion of "equal chance" the items will be given away. Number the items. Have each student write his or her name on a piece of paper and drop the paper into a cardboard box. Tell the class that the first name drawn will receive item #1, the second name drawn will receive item #2, etc. Draw names from the box until all the items have been distributed.

3. Ask the following questions:

   a. Are students who received an item "happy?" Are students who received an item "better off" than they were before class started? Are students who did not receive an item any "worse off" than before class started?

   b. Did students who received an item get the item they wanted most?
   c. Were there any receivers of an item who actually didn't want that item or any of the other items?

4. Tell students that there will be a five minute period in which (1) students who received an item may trade for one of the other items, (2) students who did not receive anything may make offers to purchase one or more of the items.

5. Begin the negotiation period. The teacher may wish to make notes concerning some of the activity which takes place.

6. At the end of the negotiation period, discuss what happened with each of the items. Focus on the feelings of the participants. For each item, ask the person who first was given the item, "How do you feel now compared to your feelings before the negotiation period with the item. (The point you will be trying to bring out is that both parties in a trade should have received some benefit from the trade or the trade would not have been made.) For example, assume that one of the items was a comic book and the person who first was given the comic book sold it to someone for 20 cents. Then the person who bought the book must have wanted it more than he or she wanted the 20 cents and the person selling the book felt better with the 20 cents than with the comic book. If this were not the case, it is not likely that a trade or sale would have been made. If a person who was given an item concludes the negotiating period with that item, then obviously that item was more valuable to him or her than any of the offers received for the item. If a student should state that he or she did not really feel any "better off" after trade because the only reason a trade was made was that a "friend" wanted the item, point out that the friendship then must have been more "valuable" than the item given up.

7. Conclude by pointing out that the general "welfare" of the class was improved through the exercise. Those who first received the items given away were "better off" than they were before the exercise; those who did not receive any item given away were no less "better off" than they were before the class period. If trades were made during the negotiating

period, these only added to the improved welfare in that the people trading received additional benefit.

Part B - Experiential Examples

1. Elicit from students examples of trades they have actually made in the past. List some of these transactions on the chalkboard.

2. Select one or two of the examples for further discussion. Ask the students who offered those examples why they made the trade. Focus on the fact that they expected to be "better off" following the trade than they were before the trade.

3. Point out the importance of knowledge in the trading process. One must have full knowledge of what is being traded for, he or she, after the trade, may discover that the item was not what it was expected to be. Thus, the person felt "better off" when the trade was made, but later, with more or better knowledge, found out that he or she was not "better off".

Part C - The U. S. Trades with the World

1. Divide the chalkboard into two sections titled, "From Other Countries" and "To Other Countries". Have students suggest items that the U. S. gets from other countries and items that other countries get from the U. S. If students do not suggest the terms "imports" and "exports", introduce and define these two concepts.

2. Ask students to offer some explanations as to "why" these items are traded. For example:

   a. A country may not have or be able to produce an item.
   b. It may be cheaper to produce an item in one country than another.
   c. A country may trade to receive some "political" benefit(s) from another country.

WHAT'S THE COST?

(Adapted from an activity developed by Dr. Dennis Weidenaar,
Purdue University)

CONCEPTS: Production possibilities curve, cost of production, opportunity cost, trade

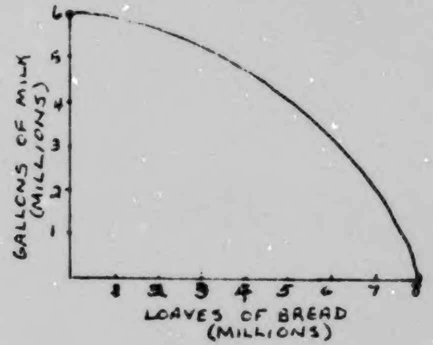
OBJECTIVES: Given the trade exercise and the instruction accompanying it, students will:

1. determine the opportunity cost of a country's decision to produce a certain good;
2. compute the production costs in a country which can produce only two goods;
3. attempt to make a trade with a country which has a lower production cost for a particular good.

PROCEDURES:

1. Begin with the hypothetical example of a country, Malthusia, which can produce only two goods, milk and bread. If Malthusia devotes all of its resources to the production of milk, it can produce 60 million gallons of milk per year. If Malthusia devotes all of its resources to the production of bread, it can produce 80 million loaves of bread per year. Review the concept of "production possibilities curve," and draw the production possibilities curve for Malthusia on the chalkboard. For example:

Production Possibilities Curve for Malthusia



2. Point out that Malthusia can decide to produce 60 million gallons of milk per year, 80 million loaves of bread per year or some combination of the two goods as illustrated on the production possibilities curve. Since Malthusia, or any other country, can not produce everything it might like due to limited resources, it must make decisions concerning what to produce. When a decision is made to produce a certain good, the consequence is that other goods can not be produced. For example, if Malthusia decided to produce 60 million gallons of milk per year, then it cannot produce 80 million loaves of bread. Ask students to provide the concept label for the cost of this or similar production decisions (opportunity cost).

3. Since a country cannot produce everything, it might like, costs of production are very important. Before a country decides what to produce, it attempts to determine the costs (and benefits) of that production. Demonstrate on the chalkboard how the costs of production for milk and bread would be calculated for the example of Malthusia. First, compute the cost or price of milk in terms of bread. Do this computation and following computations slowly and be sure that each student understands the computational process as students will have to make similar calculations later in the lesson.

COST OF PRICE OF MILK (in terms of bread)

60 million gallons of milk = 80 million loaves of bread
60 million = 60 million

1 gallon of milk = 1.33 or 1 1/3 loaves of bread

Thus, for every gallon of milk produced, 1 1/3 loaves of bread must be given up by Malthusia.

COST OF PROCE OF BREAD (in terms of milk)

60 million gallons of milk = 80 million loaves of bread
80 million = 80 million

.75 or 3/4 gallon of milk = 1 loaf of bread

Thus, for each loaf of bread produced in Malthusia, the country gives up the opportunity to produce 3/4 gallon of milk.

4. Ask students the following questions:

    a. If it costs 1 1/3 loaves of bread to produce a gallon of milk in Malthusia, at what price or prices for milk might Malthusia decide not to produce its own milk but to buy milk from another country? (Malthusia would buy milk from another country only at a price less than 1 1/3 loaves of bread.)

    b. If it cost 3/4 gallon of milk to produce a loaf of bread in Malthusia, at what price(s) for bread might Malthusia decide to buy bread from another country? (Malthusia would likely buy bread from another country only at a price less than 3/4 gallons of milk.)

5. To insure that students understand how to do these cost or price calculations, provide the following example. Have students compute the cost of cars (in terms of calculators) and the costs of calculators (in terms of cars). As students work on the calculations, move around the room to provide assistance to those having difficulty.

    Country A can produce only two goods, calculators and cars. If Country A decides to devote all its resources to the production of calculators, it can produce 80 million calculators in a year. If Country A decides to devote all its resources to production of cars, it can produce 2 million cars per year.

ANSWERS

PRICE OF A CALCULATOR (in terms of cars)

$$\frac{80\text{ million}}{80\text{ million}}\text{ calculators} = \frac{2\text{ million}}{80\text{ million}}\text{ cars}$$

$$1\text{ calculator} = 1/40\text{ car}$$

PRICE OF A CAR (In terms of calculators)

$$\frac{80\text{ million}}{2\text{ million}}\text{ calculators} = \frac{2\text{ million}}{3\text{ million}}\text{ cars}$$

$$40\text{ calculators} = 1\text{ car}$$

Ask the following questions:

a. At what price for a calculator might Country A decide to buy calculators from another country rather than produce calculators itself?

b. At what price for a car might Country A decide to buy cars from another country?

6. Distribute copies of the trade exercise sheet to students. Be sure that you have filled in amounts for items 2 and 3 on the sheet. The teacher can make up the amounts to put in these items or use the suggested amounts provided with this lesson. Select amounts so that half of the countries are better fish producers. If the teacher makes up his or her own figures, they should be amounts that will result in fairly easy arithmetic computations.

7. Tell students to make up a name for their country and complete items 1-8 of the trade exercise sheet. Provide individual assistance as students complete the items.

8. Explain that students have just determined the domestic price of wheat and fish for their country. Explain that there will now be a short trading period in which they can buy fish or wheat from another country. Ask, "Why might you buy fish or wheat from another country?" "What prices would you be willing to pay?" Bring out again the idea that a country probably buys goods from another country if the price of these goods was cheaper than the price of producing the goods domestically.

9. Tell students that they are to move around the room and determine the price at which other countries will sell them fish for their wheat, or wheat for their fish, at a price that is lower than their domestic price. They should try to make the "best" trade they can. It is probably best that students be limited to one trade. Once a trade is agreed upon, the two parties should complete the trade contract at the bottom of the sheet and return to their desks.

10. At the end of the trading period, debrief the lesson by examining some of the trades that were made. If students are still having some difficulty, the teacher

may want to help the class calculate the computations for a couple of the trades that were conducted.

11. Conclude the lesson with discussions of the following questions:

    a. Did you have any trouble finding someone to trade with? Do you think trade among countries in the real world is easy?

    b. When would a country be likely to make the decision to buy a good from another country rather than to produce it domestically?

    c. When might another country buy a good from another country at a price higher than its domestic price of producing the good?

    d. Was everyone able to make a good trade? Do you think there are countries in the real world which might like to trade their goods with other countries but are unable to do so?

....

TRADE EXERCISE

YOUR COUNTRY'S NAME:____

1. In your country you can produce only two goods, fish and wheat.
2. If you devote all of your resources to the production of fish, you can produce _________ tons per year.
3. If you devote all of your resources to the production of wheat, you can produce _________ bushels per year.
4. The ratio of exchange between fish and wheat in your country is: _____ fish (tons) = _____ wheat (bushels).
5. In terms of fish, the price of wheat in your country is ________ ton(s) of fish.
6. This means that you will buy wheat from a foreign country only at a price less than _____ bushels of wheat.
7. In terms of wheat, the price of fish in your country is ___________ bushels of wheat.
8. This means that you will buy fish from a foreign country only at a price less than _______ bushels of wheat.

REVIEW: I will buy wheat at less than ________ fish.
I will buy fish at less than ________ wheat.

9. Go and try to find someone who will sell you fish for your wheat at a price that is lower than your domestic price--or try to find someone who will sell you wheat for your fish at a price that is lower than your domestic price.
10. If you find such a person, agree upon a rate of exchange and complete the form below.

TRADE CONTRACT

I _________________________ will sell _________________________ (fish or wheat) to _____________________ (buying country) at a price of ________________ (fish or wheat).

SUGGESTED AMOUNTS FOR ITEMS 2 AND 3 OF THE TRADE EXERCISE

FISH	WHEAT	
2	5	
3	4	
5	10	
20	30	
2	6	
4	6	
4	6	
9	10	(better wheat producers)
4	5	
14	20	
2	3	
1	5	
30	50	
1	4	
10	100	
6	1	
10	3	
40	30	
5	4	
12	8	
4	1	
10	44	(better fish producers)
10	22	
3	11	
8	4	
100	20	
60	10	
5	2	
8	1	
20	12	

TRICKS OF THE TRADE

A Simulation Game of Free Trade
(Developed by Ronald L. VanSickle, The University of Georgia)

CONCEPTS: Free trade, productive resource allocation, efficiency

OBJECTIVES:

1. Describe how free trade affects productive resource allocation in various nations.
2. Explain how free trade makes the participants "better off" economically than little or no trade by comparing production costs for trade and no-trade conditions.
3. Explain why some nations can produce certain products more cheaply than other nations.

DESCRIPTION: *Tricks of the Trade* is a simulation game designed to show students the economic advantages of free international trade. They will see that free (or relatively free) trade will result in more efficient utilization of scarce productive resources (i.e., land, labor, and capital) and a higher standard of living than restricted trade. Tariffs to protect domestic industries and jobs make sense to many people prior to serious examination. This game is intended to clarify the long-run economic disadvantages of such restricted trade. It is not intended to persuade participants to always oppose trade restrictions. For example, protecting the steel industry for the sake of national security and refusing to trade with a particular country in order to exert pressure to change that country's policies may be good reasons to restrict trade. However, participants will learn that these decisions are purchased with inefficient utilization of productive resources and higher consumer prices. *Tricks of The Trade* is based on a simple economic model; political complexities should be discussed following game play. This game does not illustrate the concept of comparative advantage in trade; each nation has an absolute advantage over all others for one product.

PREPARATION: The game is designed for 5 nations which can each produce five products. Divide the class into teams of two. An individual student can play alone; however, it is a trading disadvantage. A team of three would have a trade advantage because more contacts could be made during a trading period. If you have approximately 20 students, plan for 2 games to be played simultaneously. Thirty students will produce 3 games to be played simultaneously. Comparing the results should be interesting.

For each game to be played simultaneously, prepare a set of product cards. Each set is to include 100 cards for each of the products: A, B, C, D, and E. Prepare enough record forms (see below) for eight rounds. Prepare Product Consumption Envelopes in which each nation will place its consumed products at the end of each round. Prepare a Summary Data Form for each nation.

For each nation assign the Productive Resource Unit (PR) cost of each product according to the following chart

PR Costs for Each Nation

Products	Nation 1	Nation 2	Nation 3	Nation 4	Nation 5
A	1	2	3	4	5
B	2	3	4	5	1
C	3	4	5	1	2
D	4	5	1	2	3
E	5	1	2	3	4

Put this information on a card to be given secretly to each nation prior to game play.

COSTS OF PRODUCTION

NATION __________

Products	A	B	C	D	E
PR's Needed					

GAME INTRODUCTION: Introduce the game along the following lines.

> "In this simulation game, you and your partner are leaders of a country which produces the following products: A, B, C, D, and E. Over a period of several rounds, you will produce the products of your choice and trade, if you wish, with other countries. Your goal is to acquire at least fifteen (15) units of each product (more will be better) before the game ends. At the beginning of each round you will have 15 Productive Resources (that is, land, labor, and capital) to use in producing your products. You may choose to make one or two expensive products, several inexpensive products, or some of each. If you don't use up all your Productive Resource Units (PR's) in a given round, you may save them for the next round. The main point to remember is that you need to consume at least fifteen (15) units of each product before the game ends. The first nation to consume 15 units of each product is the winner. The following chart tells you how many Productive Resource Units (PR'S) you must use in producing your products.
>
> "Look at your Cost of Production card. It is different for each nation. You will soon learn that some countries can produce one or two products more cheaply than you can. You can produce some products more cheaply than others. Consequently, it might pay to see if you can strike trades with the right countries. Trading is a voluntary activity, however, so don't be surprised if another country isn't interested. Products you produce must be whole units. For example, you cannot produce 2.5 A's. Also, you cannot trade fractional units of products with other nations since they will be trading whole cards representing products."
>
> "During each round of the game, you will keep track of your production, trading (if any), and consumption on a set of record forms. I will explain how to use the form and how it follows the sequence of game activities."

Go over the recordkeeping form line by line. The data on the record forms will be used in debriefing the game experience. Consider the following situation:

> Suppose in Round One: "Nation ? allocates 6 PR's to produce 6 A's, 8 PR's to produce 4 B's, and saves 1 PR for future use. Next it sells 6 A's to Nation ?? in exchange for 2 E's and 1 C. It keeps its 4 B's. At the end of the round it consumes all the products and places the product cards in envelopes I will provide each nation."

Use an overhead projector to show the following properly recorded form.

Round __________

Nation __________

	A	B	C	D	E	Saved	Total
1. Quantity Produced	6	4				▨	▨
2. PR Allocation (15)	6	8				1	15
3. Quantity Sold	6					▨	▨
4. Quantity Purchased			1		2	▨	▨
5. Quantity Kept		4				▨	▨
6. Products Consumed		4	1		2	▨	▨
7. Total Products Consumed		4	1		2	▨	

GAME PLAY: Your major tasks during game play are to keep the time and advise the nation's leaders. The following is an agenda for the first round. Lengthen or shorten the time periods as needed; the rounds are likely to take less time as the game proceeds.

3 min. 1. Allocate PR's and determine production.
5 min. 2. Trade, if desired.
2 min. 3. Finish completing the Record Form.

If you have two or more games being played simultaneously, adhering to a time schedule is especially important or you will not be able to keep track of the game play.

Six to eight rounds will be enough to demonstrate that those nations which produce their least expensive product for international trade will be the most successful. Including the basic evaluation/debriefing discussion, this simulation game should take less than two hours.

EVALUATION: Before beginning the evaluation/debriefing discussion, each team should complete a Summary Data Form based on their Record Forms.

Nation _________

SUMMARY DATA FORM

PRODUCTS

	A	B	C	D	E	Total
1. Total Products Consumed						
2. Quantity Products Sold						
3. Production Costs of Quantity Sold						
4. Quantity of Products Purchased						
5. Cost to Have Produced Purchases						
6. Savings/Losses From Trade (Line 5-Line 3)						

1. Why was Nation _________ so successful in acquiring 15 units of each product? What were its production and trading strategies? (line 1)

2. Why was Nation _________ so unsuccessful? What were its production and trading strategies? (line 1)

3. What nations engaged in relatively little trade? How well did they do? Why didn't they engage in much trade?

4. How many productive resource units were saved by each nation as a result of trading? (lines 3, 5, 6)

5. Why did it cost the nations different amounts of PR's to produce the same products?

6. What would have been the most effective allocation of PR's for each nation? (Show the chart of PR Costs for each Nation.)

7. Why is it profitable for the nations to trade with each other? (Other nations can produce some products more cheaply.) What might explain why some nations can produce things more cheaply when each nation can produce all 5 products? (Some factors of production must be less expensive. Bananas can be grown in Alaska but it is much more expensive to build greenhouses--capital--than it is to plant banana trees outside in Guatemala. Identify other examples of land, labor, and capital advantages in the real world.)

8. What would have happened if it cost Nation 2 two more PR's to buy products from Nation 1? How might Nation 2 raise the cost of Nation 1's products (tariff)? Why might Nation 2 do this even though it costs more and results in Nation 2 buying less from Nation 1 and experiencing higher production costs? (There is no reason in this game; however, in real life Nation 2 might try to protect its own industries from Nation 1's competition and protect domestic jobs.)

9. What other factors in the real world might prompt a nation to restrict trade with another nation? (National defense and security reasons are common. An attempt to pressure another nation to change its policies is also common.) Who pays for these decisions to restrict trade? Under what conditions do you think the United States should restrict its international trade? Why do you think these reasons are worth the cost?

ROUND______________

NATION______________

	A	B	C	D	E	SAVED	TOTAL		
QUANTITY PRODUCED									
PR ALLOCATION (15)									
QUANTITY SOLD									
QUANTITY PURCHASED									
QUANTITY KEPT									
PRODUCTS CONSUMED									
TOTAL PRODUCTS CONSUMED									

SUMMARY DATA FORM

NATION ______________

	A	B	C	D	E	TOTAL
TOTAL PRODUCTS CONSUMED						▤
QUANTITY PRODUCTS SOLD						▤
PRODUCTION COSTS OF PRODUCTS SOLD						
QUANTITY OF PRODUCTS PURCHASED						▤
COST TO HAVE PRODUCED PURCHASES						
SAVINGS/ LOSSES FROM TRADE (LINE 5 - LINE 3)	▤	▤	▤	▤	▤	

WE CAN DO IT BETTER THAN YOU!

CONCEPTS: Absolute advantage, comparative advantage, specialization.

OBJECTIVES: Upon completion of this lesson students will be able to:

1. define absolute and comparative advantage;
2. determine which of two countries has an absolute or comparative advantage in the production of two goods.
3. give examples of absolute and comparative advantage in the production of goods and/or services in the real world.

MATERIALS:

1. "Organizational Skills I" handout--copies for half the members of the class.
2. "Organizational Skills II" handout--copies for half the members of the class.
3. "Computational Skills I" handout--one copy per student.
4. "Computational Skills II" handout--one copy per student.
5. Pocket or hand calculators--enough for at least half the members of the class. (The day before the lesson is conducted, ask students to bring calculators to class with them.

PROCEDURES:

1. Begin the class session by explaining that students will be divided into two countries and that these two countries will be competing to determine which country can best produce two different products.

2. Randomly assign students to two groups. Ask students to devise a name for their countries (groups). Note: It is important that students be divided into groups randomly so as to evenly distribute any inherent or learned abilities of students.

3. Explain that in Round 1 the members of the two countries will be producing alphabetical listings. One country's members (population) should be given the "Organizational Skills I" handout; members of the other country are given the handout, "Organizational Skills II." Distribute the handouts face down and explain that they are not to be turned over until the teacher gives the signal to begin. Give students the following rules for Round 1.

a. There will be a time period of two minutes in which each person is to produce as many correct alphabetized listings as possible.
b. First, alphabetize the entire list of twenty names by last name. The entire name must be written for each name on the list; the last name must be written first, followed by the first name.
c. Then alphabetize the names into the two given columns; one column for males, the other for females.
d. The alphabetizing of the entire listing must be completed before going on to the alphabetizing of names by sex.
e. Each person is to work independently; that is, students cannot use the principle of division of labor in completing the task.

Using a stopwatch or a watch with a second hand to keep time, give a "begin" signal and allow exactly two minutes for alphabetizing. At the end of the two minutes, stop work and have students determine the number of names they alphabetized correctly. The highest point total a person can earn is 40; twenty correct for each part of the task. Each country should then total the number of points earned by its ""population."

ANSWERS: Part I

1. Allen, Felicia
2. Allen, Jed
3. Allen, Todd
4. Almond, Jane
5. Ames, Jessica
6. Anderson, Robert
7. Dodd, Aristotle
8. Dodd, Robert
9. Donahue, Phil
10. Dooley, Ellen
11. Dooley, Vince
12. Downs, Alice
13. Hill, Joey
14. Hill, Kristen
15. Hines, Anna
16. Hines, Zelda
17. Hinkle, Art
18. Tarpkins, Velma
19. Tarpkins, Vernon
20. Townsend, Charles

Part II

Women

1. Allen, Felicia
2. Almond, Jane
3. Ames, Jessica
4. Dooley, Ellen
5. Downs, Alice
6. Hill, Kristen
7. Hines, Anna
8. Hines, Zelda
9. Tarpkins, Velma

Men

1. Allen, Jed
2. Allen, Todd
3. Anderson, Robert
4. Dodd, Aristotle
5. Dodd, Robert
6. Donahue, Phil
7. Dooley, Vince
8. Hill, Joey
9. Hinkle, Art
10. Tarpkins, Vernon
11. Townsend, Charles

4. Have a spokesperson for each country report the total number of points for his or her country. Place the total number of points for each country on a table on the chalkboard. (Additional data will be placed in the table at the end of other rounds of this lesson.)

Country	Total Points for Correct Alphabetical Listings

Ask the following questions:

a. Which country was better at alphabetizing names? (The country given handout, "Organizational Skills II," should produce the larger number of correct responses.)
b. Why was this country better at alphabetizing names? (Have the two groups describe for each other the handouts they were given.)

5. Tell the class that in Round 2 the members of each country will be producing arithmetic computations. One country's "population" will be given calculators; members of the other country will compute their arithmetic problems by hand. Distribute calculators to the country which used "Organizational Skills I" handout in Round 1 (this will give each country the opportunity to be "better" than the other at least once in the lesson.) Distribute a copy of the handout, "Computational Skills I," to each member of both countries. Tell students that the handouts are not to be turned over until the teacher gives the signal to begin. Give students the following rules for Round 2.

   a. Therc will agaain be a time period of two minutes in which each person is to compute correctly as many problems as possible.
   b. All computations should be rounded to the nearest tenth (e.g., 90.27 rounded to the nearest tenth becomes 90.3).
   c. Problems are to be computed in the numerical order they are presented in the handout.
   d. Each student is to work each problem; that is, students cannot employ the principle of division of labor to complete the task.

   Again, allow exactly two minutes of work time and then have students determine the number of correct responses they made. Each country should then total its number of points earned for correct responses.

ANSWERS:

1. 2,074
2. 12,558
3. 294.8
4. 487,974
5. 104.7
6. 1,434,558
7. 33.6
8. 664,749
9. 510.9
10. 36,518

6. Add country totals to the chalkboard table started in Round 1. The table should now look as follows:

Country	Total Points for Correct Alphabetical Listings	Total Points for Correct Computations

Ask the following questions:

a. Which country was better at producing correct computations? (The country using calculators should, of course, produce the larger number of correct responses.)
b. Why was this country better at working arithmetic problems?

7. Introduce the term "absolute advantage." Explain that each country has an absolute advantage over the other in the production of one product. Ask, "What would happen if each country specialized and spent its total time (4 minutes) in the production of the product for which it has an absolute advantage?" Students should respond that each country should be able to, at least, double its production.

8. Return attention to the chalkboard table. Total "world" production for the two products before specialization should be computed and then the teacher and students should develop a similar chart to show production after each country specializes. The two charts would look similar to that depicted below (with different numbers, of course).

(Tables here)

Before Specializing

Country	Total Points for Correct Alphabetical Listings	Total Points for Correct Computations
A	300	110
B	225	210

World Totals = 525 320

After Specializing

Country	Total Points for Correct Alphabetical Listings	Total Points for Correct Computations
A	600	0
B	0	420

World Totals = 600 420

Compare total production before specializing and after specializing. Focus attention on the fact that specialization increased total "world" production. If both countries specialize and then trade, both countries will benefit. For example, in the chart above, if Country A gave its additional 300 alphabetized listings to Country B, Country A would have the same number (300) it had before specializing and Country B would have 75 more (300-225) than it could have produced on its own. Likewise, if Country B gave its additional 210 computations produced through specialization to Country A, Country B would still have the same number it had before specialization (210) and Country A would have 100 more (210-110) computations than it could have produced on its own. These, of course, would probably not be the terms of trade negotiated between the two countries (300 alphabetized listings for 210 computations), but the point is that total "world" production has increased, and specialization and trade should provide a benefit for both countries.

9. Explain that in Round 3, the class will be finding out what happens when one country has the advantage in producing both products. Distribute "Computational Skills II" handout to each class member, face down. Again, students are not to turn the handout over until the teacher gives the signal to begin. In this round, the students who computed arithmetic problems by hand in Round 2 will be given calculators. Those who used calculators in Round 2 will now compute the problems by hand. (If each member of the class did not bring a calculator, the calculators that are available will need to be redistributed.) The rules for completing the task in Round 3 are identical to those used in Round 2. The teacher gives the signal to begin and stops the task session after exactly two minutes. Correct answers are read and students determine the number of problems worked correctly. Country totals are again calculated.

10. Direct students toward the understanding that the country which used calculators in Round 3 was also the country that had the advantage in Round 1 when the task was alphabetizing names. Explain that since this country had the advantage in Round 1, there is no need to do that task over; the data from Round 1 can be used again. With the class, the teacher now develops a new table on the chalkboard containing the figures from Round 1 and the new data determined in Round 3. The table will now contain the figures to illustrate the case of one country having an advantage in the production of both products. The new table should look similar to the following (with, of course, your own class-derived data).

Country	Total Points for Correct Alphabetical Listings	Total Points for Correct Computations

11. Ask the following questions:

    a. Which country is better at producing correct alphabetical listings? Why?
    b. Which country is better at producing correct computations? Why?
    c. Should _____________ (the country now better at producing both products) specialize in only one product or should it make both products since it is better than _____________ (the other country) at making both products? (Students may respond that there should be no specialization by the country better at making both products.)

12. Ask the following question: "Although __________(the country better at making both products) is better at producing both products, is it relatively better at producing one product than another?"

    Focus student attention on the fact that even though the country is better at producing both products, it is relatively or comparatively better at producing one of the products. Thus, it should specialize in that production at which it is comparatively better. Introduce the term "comparative advantage."

13. Compute on the chalkboard table, the total world production before the two countries specialized. Then, as in procedural step number 8 of this lesson, compute "world production" after the two countries specialize in the products for which they have comparative advantages. This finished table will look somewhat like that shown below (with class-derived figures).

Before Specialization

Country	Number of Correct Alphabetical Listings	Number of Correct Computations
A	300	210
B	225	110
World Total	525	320

After Specialization

Country	Number of Correct Alphabetical Listings	Number of Correct Computations
A	0	420
B	450	0
World Total	450	420

Determine what production was gained or lost in the two products after specialization.

14. To further illustrate the concept of comparative advantage and the rationale for specialization, compute on the chalkboard with students the relative costs for producing items in the two countries (see the lesson "What's the Cost?" for further clarification of how relative prices are calculated).

For example~~,~~ using the hypothetical data shown in the table above for the two countries, before specialization, the relative costs of the two products in each country would be as follows.

COST OF ALPHABETICAL LISTINGS:

In Country A:

$\frac{300}{300}$ alphabetized names = $\frac{210}{300}$ computations

1 alphabetized name = .70 computation

In Country B:

$\frac{225}{225}$ alphabetized names = $\frac{110}{225}$ computations

1 computation = 2.05 alphabetized names

Thus, in terms of alphabetized names, computations are cheaper to produce in Country A.

The price calculations will point out again the concept of comparative advantage; that is, even though a country may be poorer than another in the production of both products, it will still have a relative price advantage in the production of one of the products.

15. Have students identify comparative advantages in the production of specific products in their home state, in the United States and in other countries of the world. Ask students to attempt to offer reasons for these comparative advantages. Conclude the lesson by pointing out that since resource endowments and consumption tastes are not the same throughout the world, international trade becomes very important. If the people of all countries of the world had the same tastes, if all areas of the world were geographically identical, if the ratios of people, capital, and land were identical in every country, if there were no economies of scale, then there would be no need for international trade.

16. Given this exercise which has students personally involved in determining absolute and comparative advantage, the teacher may wish to conclude by having students read that section of their economics text which explains these two concepts. Other teachers may opt to have students read the appropriate section of the text before the activity, using the reading as an "advance organizer."

ORGANIZATIONAL SKILLS I

DIRECTIONS: Alphabetize the following names, by last name, as quickly as possible. Both the last and first names must be written on each line.

Anna Hines 1.______________________________

Joey Hill 2.______________________________

Todd Allen 3.______________________________

Jed Allen 4.______________________________

Vince Dooley 5.______________________________

Robert Dodd 6.______________________________

Alice Downs 7.______________________________

Felicia Allen 8.______________________________

Vernon Tarpkins 9.______________________________

Jessica Ames 10.______________________________

Phil Donahue 11.______________________________

Art Hinkle 12.______________________________

Ellen Dooley 13.______________________________

Aristotle Dodd 14.______________________________

Robert Anderson 15.______________________________

Kristen Hill 16.______________________________

Velma Tarpkins 17.______________________________

Charles Townsend 18.______________________________

Jane Almond 19.______________________________

Zelda Hines 20.______________________________

ORGANIZATIONAL SKILLS II

DIRECTIONS: Alphabetize the following names, by last name, as quickly as possible. Both the last and first names must be written on each line.

A

Ames, Jessica
Allen, Felicia
Almond, Jane
Allen, Todd
Anderson, Robert
Allen, Jed

D

Downs, Alice
Dodd, Robert
Dooley, Ellen
Donahue, Phil
Dooley, Vince
Dodd, Aristotle

H

Hill, Joey
Hines, Zelda
Hinkle, Art
Hill, Kristen
Hines, Anna

T

Tarpkins, Vernon
Townsend, Charles
Tarpkins, Velma

1. ______________________________
2. ______________________________
3. ______________________________
4. ______________________________
5. ______________________________
6. ______________________________
7. ______________________________
8. ______________________________
9. ______________________________
10. ______________________________
11. ______________________________
12. ______________________________
13. ______________________________
14. ______________________________
15. ______________________________
16. ______________________________
17. ______________________________
18. ______________________________
19. ______________________________
20. ______________________________

COMPUTATIONAL SKILLS I

DIRECTIONS: Division computations should be rounded to the nearest tenth. Problems must be worked in the order they appear on this page.

1. 122
x 17

2. 483
x 26

3. 52) 15,265

4. 501
x 974

5. 33) 31,397

6. 923
x 46

7. 2275
x 42

8. 69) 2,208

9. 761
x 123

10. 46) 88,249

COMPUTATIONAL SKILLS II

DIRECTIONS: Division computations should be rounded to the nearest tenth. Problems must be worked in the order they appear on this page.

1. 198
   x 13

2. 716
   x 39

3. 89) 48,091

4. 322
   x 875

5. 29) 52,761

6. 632
   x 83

7. 4482
   x 63

8. 84) 3,201

9. 684
   x268

10. 39) 88,220

TRADE RESTRICTIONS

CONCEPTS: Trade restraints, measures to facilitate free world trade

OBJECTIVES: Upon completion of this lesson, students will:

1. discuss the historical function of trade barriers, and explain their advantages and disadvantages;
2. list and describe measures which are and have been implemented to facilitate world trade;
3. debate the issue of whether trade restrictions should be lifted on a certain product.

MATERIALS:

1. Student Handouts #1 and #2 for student notebooks
2. Debate preparation handouts
   a. "The Case for Expanded World Trade"
   b. "The Case for Protectionism"
   c. "The Controversy Over Foreign Cotton"

PROCEDURES:

1. Lecture/Reading/Class Discussion
   The teachers should lecture on the trade restrictions and trade facilitators on student handouts #1 and #2 after the students have read the handouts. Emphasis should be placed on the advantages and disadvantages of each, keeping in mind the concept of comparative advantage.

2. Debate

   Divide the class into 2 groups. Have them read the pages entitled "The Case for Expanded World Trade" and "The Case for Protectionism." Then distribute pages marked Group A to one and the pages marked Group B to the other. Have them complete the forms and thoroughly research their position. Then each group selects a spokesperson to present the debate.

THE CASE FOR EXPANDED WORLD TRADE

As world trade has grown by leaps and bounds since the late 1930's, national economies have become more dependent upon this flow of goods and services. A single country's actions with regard to its main exports affect all countries which receive the products and byproducts of its exports. Also affected are all the countries from which that country imports raw materials, goods, and services used in its exports. As countries develop new exports, they create markets for materials with which to produce these new products. In turn, the new markets stimulate economic activity as each additional country is affected. This activity results in higher standards of living as consumers have more disposable income and more products to use. Thus, steady growth of world trade is the strongest evidence in support of our major role in lowering trade barriers. Proponents of liberalized trade say that for our nation it means busy factories, more jobs, lower consumer prices, and higher incomes for workers and management. And as the United States gains, so do our trading partners. Growth of world trade reduces international friction and misunderstanding, promotes effective use of human and material resources, and permits people to direct their energies to peaceful and rewarding pursuits.

Proponents of freer trade claim that curtailment of imports would adversely affect:

--Consumers. By reducing the competitive effect of imports, consumers would be hurt by rising prices and would have less freedom of choice;

--Producers. Costs of primary and other materials needed by U.S. industry would rise, impairing our ability to compete in export markets. Similarly, higher costs for imported materials would adversely affect domestic sales; and

--Farmers. Costs of farm purchases would rise, while exports of farm products would drop because of retaliatory quotas. Farm income would fall.

Moreover, departure from our liberal trade policy would adversely affect:

--Our global interests including cooperative relations with Western Europe, close ties with Japan, commitments to Latin America, and relations with developing countries; and

--Our national economy, including efforts to combat inflation.

SOURCE
The Trade Debate, U.S. State Dept., 1979

THE CASE FOR PROTECTIONISM

Proponents for high protective tariffs argue that imports adversely affect U.S. employment, domestic industries, national security, and the balance of payments. Examine the reasons, one point at a time:

EMPLOYMENT. Do low wages in foreign countries endanger workers' jobs in similar industries in the United States?

An industry's ability to compete and provide employment to American workers depends on many factors. One of those is low wages; another is the cost of materials, machinery, and borrowing money. Other factors include technology, labor productivity, management efficiency, and the capacity of the economy to provide alternative jobs when individual industries decline. Record high imports were recorded in the late 1960's when unemployment in the United States was very low. The significance of productivity is illustrated in a Department of Labor study which found that important high-wage U.S. export industries--such as machinery, aircraft, and chemicals--have higher-than-average productivity and compete easily in world markets.

COMPETITIVE THREAT TO INDUSTRY. Are some U.S. firms, workers, and industries injured by increased imports? If so, what can be done?

Typically, it is difficult to determine the impact of imports on particular firms or industries and whether the difficulties encountered are produced by imports or by other contributing factors.

In the United States, tariff or quota relief is available to entire industries if they can prove serious injury resulting from imports. In addition, other types of relief are available to individual firms or groups of workers who can make a case before the United States International Trade Commission. These include financial assistance, tax relief, and training and relocation allowances.

U.S. legislation authorizes retaliation against certain practices by foreign countries that we consider unfair, including government subsidies to exporters and unreasonable restrictions on imports. In general, however, it would be far more advantageous to persuade those governments to remove or modify those practices that make trade difficult, rather than to retaliate, which is likely to lead to economic losses by both sides.

THREAT TO NATIONAL SECURITY. National self-sufficiency in war time is an argument sometimes preferred by those seeking protection for domestic industry.

Trade restrictions required for national security are permitted under GATT. U.S. laws provide methods for determining the necessity for special import protection when a sound case of national defense is made. Those opposed to new import quotas for specific defense-oriented products say existing provisions have been adequate.

BALANCE OF PAYMENTS. In recent years, total U.S. spending and lending abroad--including payment for imports, tourist spending, private investments in foreign countries, costs of maintaining armed forces abroad, and foreign aid programs--have been greater than the flow of money and credit back to the United States. Sources of the flowback include receipts for our exports, returns on U.S. investments abroad, and foreign investment in this country. U.S. exports and imports traditionally represent the largest items in our balance of payments, and in most recent years imports exceeded exports.

Proponents of import restrictions occasionally suggest that if we limited imports, our international balance would be improved because we would be manufacturing more goods for the domestic market while keeping our money at home. However, limiting imports, especially of primary or intermediate goods, would deny us the most efficiently produced products and could have a depressing effect on economic activity. Furthermore, trade is a two-way street, and retaliation by our trading partners might reduce U.S. exports by an equivalent or greater amount.

In fact, a GATT member cannot raise new trade barriers unless it reduces import barriers on other products of equivalent value. If it fails to make such concessions, other countries have the right to raise barriers against its exports. Prime candidates for retaliation would be those products which contribute most heavily to the offending country's earnings or have greatest potential for growth.

SOURCE

The Trade Debate, U.S. State Dept., 1979

Handout #1

TRADE RESTRICTIONS

1. TARIFFS

The most common form of trade barrier is the tariff or duty. In the past countries would use revenue tariffs to get money to run their governments. To do this they would merely add a certain amount of money as a tax when imported goods came into the country. Revenue tarifis are rarely used now.

Protective tariffs are designed to add a tax to imported goods to make them less competitive with domestic products. They give the manufacturers and workers of one country an advantage in price because competitive goods from foreign countries will cost more.

As an example, if a transistor radio costs $60 to produce and distribute in the United States, it might be outsold by a Japanese radio which could be imported and sold for $35. If the manufacturers and retailers of American radios can convince our legislature, a protective tariff of say $60 on Japanese radios would then cost more than American radios.

The price tag that a consumer sees in a store does not indicate the extra amount that is being paid as a tariff. An increasingly large number of foreign goods are subject to tariffs.

2. QUOTA SYSTEM

Another practice which achieves the same result is the quota system. The government allows only limited numbers of a product to be imported. This means that even though the import sold at a lower price there are not enough of them to meet the demand so American products would still have a market at a higher price.

These restrictions can often limit competition and force a dependence on American products, but not always. If the quality of foreign products is significantly higher, people will pay the higher prices. There is a considerable market for imported cars and cameras because of their high quality.

3. EMBARGOES

At times a country may totally end trade with another country. At these times an embargo has been placed on trade. This embargo might be limited to just one product, but frequently trade with the entire country is cut off. This is generally done for political reasons. When the United States objects to the political philosophy of a country, they may refuse all trade.

These restrictions can change as is shown by the trade policies with China (Mainland) after we had refused trade through the period of 1948 to 1972.

4. SUBSIDIES

Another approach to the same problem is the government subsidy to special industries. This government assistance allows them to lower prices so they can compete with foreign factories. This system, however, penalizes the whole country. The only people who are hurt by protective tariffs are the people who consume the merchandise. If a protective tariff is placed on cameras, only those who buy cameras pay for the protection. If the government provides a subsidy for peanut growers paid for by tax money, everyone in the country who pays taxes has to pay for the protection whether they buy the product or not.

5. PRODUCT STANDARDS

Sanitary, safety, and environmental regulations, although not specifically meant to restrict imports, often discriminate against foreign products or impose standards which are unduly restrictive and/or irrelevant to protecting the consumer.

6. AMERICAN SELLING PRICE (ASP)

American selling price (ASP) is a system under which the tariff rate on imported goods, principally benzenoid chemicals, is based on the price of the competitively produced U.S. product rather than on the actual import price. Foreign exporters and American importers are especially critical of this form of non-tariff barrier, claiming it causes uncertainty at the time of shipment as to what the tariffs will be and creates an artificially high level of protection. A conditional agreement was reached during the Kennedy Round between the United States and the EEC countries, and Switzerland to eliminate the ASP system in return for tariff concessions and liberalization of some nontariff barriers, but Congress did not approve the agreement.

7. ANTI-DUMPING REGULATIONS

"Dumping" means selling for export at prices lower than those in the exporter's own domestic market. The U.S. Antidumping Act of 1921 provides that if a foreign exporter sells to the United States at prices "less than the fair value," thereby injuring American industry antidumping duties shall be levied on the goods concerned. These duties make up the difference between the exporter's price and the foreign market value. An international anti-dumping code was negotiatied during the Kennedy Round. The United States has not adhered to the code.

Handout #2

TRADE FACILITATORS

1. THE EUROPEAN COMMON MARKET

The European Common market (or European Economic Community or EEC) is the world's largest economic unit with 265 million people and a GNP of $1.5 trillion. The original agreement was drawn up and adopted on January 1, 1958, and included France, West Germany, Italy, Belgium, the Netherlands, and Luxembourg. The agreement involved the gradual elimination of all internal tariffs, the free movement of goods, capital and labor among members, and the establishment of a single external tariff to other countries. In 1973 Denmark, Ireland and the United Kingdom joined the EEC and Greece, Portugal, and Spain have applied for membership.

2. THE RECIPROCAL TRADE AGREEMENT ACT OF 1934

This American legislation, which reflected the description of world trade caused by the Depression, was the beginning of a worldwide movement for reduction of tariffs and other trade barriers. It gave President Roosevelt the authority to negotiate reciprocal trade agreements with other contries. (Recipropcal means that concessions can be made to other countries only in return for concessions from them.) This legislation was responsible for a 30% increase in U.S. foreign trade by 1939. The act was renewed 11 times and from 1934-61 U.S. foreign trade increased fifteen-fold and tariffs dropped from 46.7% to 12%.

3. THE GENERAL AGREEMENT OF TARIFFS AND TRADE - 1947

Twenty-two nations met with American negotiators in Geneva to establish GATT. These negotiations were unique in that they sped up the negotiations greatly since America could negotiate simultaneously with 22 nations instead of just one with concessions being made to all nations instead of just one. Seven more rounds of GATT have been held since 1947 with a total of 81 nations participating and 21 others associated with it. A major concern of GATT negotiations has been to develop a code of practical rules for fair trading.

4. THE TRADE EXPANSION ACT OF 1962

This legislation authorized the President to negotiate a cut in tariffs of all products (with a few specific exceptions listed) instead just on a commodity-to-commodity basis.

5. THE KENNEDY ROUND 1964

This round of GATT negotiations took place in Geneva in 1964 and was named for the late John F. Kennedy. Fifty-three nations which generate 80% of world trade participated. Agreements reached include tariff cuts averaging 33% on a broad range of industrial goods, tariff concessions or agricultural products, fair and open procedures on dumping and accord among industrialized nations to reduce barriers to exports from developing countries without reciprocity.

6. THE TRADE REFORM ACT 1974

This legislation authorized the most significant tariff reductions ever. The law deals with tariffs, nontariff barriers, and other measures which impede world trade. This act also includes provisions for relief for injury to domestic producers caused by imports.

THE TOKYO ROUND 1975

The seventh round of GATT negotiations, the Tokyo Round has 100 nations participating in multilateral trade negotiations (MTN). The participants dealt with a broad range of nontariff barriers to trade (subsidies, government purchasing requirements, quotas, licensing procedures, product standard setting, and customs valuation methods). The purposes of this round of negotiations are to make conduct codes clearer and fairer, to set forth procedures for settling grievances, and to make international trade fairer and more accessible to everyone.

SOURCE

The Trade Debate, U.S. State Dept., 1979

Group A Debate Preparation

THE CONTROVERSY OVER FOREIGN COTTON

Directions: Your group represents the cotton growing farmers of the United States. Read the following case study and make decisions concerning what actions you and your group might want to make concerning the use of free trade, tariffs, quotas, or subsidies. State you reasons and answer the questions that follow the reading.

The increased costs that your industry has been forced to pay for fertilizer, seed, machinery, and farm labor have made it impossible for you to compete with imported cotton from Mexico and other countries. More and more textile mills are buying their cotton from other sources. Your group has plans to lobby in Congress for the purpose of imposing import restrictions on foreign cotton.

(1) What policy does your group seek? Why?

(2) What will be the effects of this policy on your group? Why?

(3) What will be the effects of this policy on domestic consumers of cotton products? Why?

(4) What will be the effects of this policy on foreign cotton producers? Why?

(5) What are some possible acceptable alternatives?

Group B Debate Preparation

THE CONTROVERSY OVER FOREIGN COTTON

Directions. Your group represents the textile mill operators in the United States. Read the following case study and decide what decisions you and your group would make concerning the use of free trade, tariffs, quotas, or subsidies in this instance. State your reasons and answer the questions that follow.

The farmers in Mexico and other countries are able to grow cotton more cheaply than the growers in the United States. This is due to lower costs for fertilizer, seed, machinery, and farm labor. This enables your industry to import the cotton that is needed more cheaply than you can obtain it in the United States. The cotton producers in the United States are attempting to have restrictions imposed on the importation of cotton. Your group also wishes to be considered in the final decision. Decide what you would or would nct favor.

(1) What policy does your group favor? Why?

(2) What will be the effects of this policy on your group? Why?

(3) What will be the effects of this policy on other individuals in the society? Why?

(4) What will be the effects of this policy on foreign cotton producers? Why?

(5) What are some alternative solutions to the problem?

COMPETITION VS. CARTELS

CONCEPTS: Trade dilemmas in a competitive market and in a controlled market. Using the example of the world market for oil, students examine the effects of competition and non-competitive cartel prices.

OBJECTIVES: Students should be able to:

1. Describe the effects that different market conditions have on prices.
2. Identify the forces which work to strengthen or weaken world market agreements.
3. Determine the effects of high oil prices on one aspect of modern life (research activity).

TIME ALLOTMENT: One class period. Four, if the research activity is included in class time.

MATERIALS: 32 SELL cards
32 BUY cards

OPTIONAL: Class set of Student Research Activity Questions.

TEACHING STRATEGIES: Divide the class into two groups. Distribute one set of cards to the Oil Consuming nations; a different set of cards to the Oil Producing nations. Tie white arm bands on the Oil Producers and use another color tie for the Oil Consumers.

Allow plenty of time for students to get a notion of the game and learn the procedure. Anticipate some difficulty with learning how transactions are made and prices reported.

Play begins with the distribution of BUY and SELL cards. (It will help speed up the game if you match the color of the card to the arm band color.) The 32 BUY AND SELL cards should be worded:

BUY

Buy 1,000 barrels of oil for not more than $__________ per barrel. Try to get the best price you can below this price. Do not buy oil above this price. If you haven't bought any oil after 5 minutes, get another buy order.

Insert price per barrel on each BUY card according to this distribution.

Price	Number of Cards
$21.00	4
19.00	4
17.00	4
15.00	4
13.00	4
11.00	4
9.00	2
7.00	2
5.00	2
3.00	2

SELL

Sell 1,000 barrels of oil for not less than $__________ per barrel. Try to get the best price you can above this price. Do not sell oil below this price. If you haven't sold any oil after 5 minutes, get another sell order.

Insert price per barrel on each SELL card according to this distribution

Price	Number of Cards
$19.00	2
17.00	2
15.00	2
13.00	2
11.00	4
9.00	4
7.00	6
5.00	6
3.00	4

A complete set of Buyer and Seller cards should be used whenever the game is played with a class of more than 32 students. While the game is played, the cards should be kept in separate stacks on a desk near where the recorder is tallying the prices. As cards are turned in, students should take a different buy or sell order, according to their roles. Individual cards may be used more than once in the game, but make sure students don't keep cards for more than one transaction. If a student is unable to complete a transaction within five minutes, a new card may be given out to replace the old instructions.

Record the price on the board where students can see the price at which oil is being sold. One way to show the tendency of prices to reach some "equilibrium" level is to record prices by time period. The following table could be used to record this information on the board.

Price	Five Minutes of Play	Second Five Minutes of Play	Third Five Minutes of Play
$21			
20			
19			
18			
17			
16			
15			
14			
13			
12			
11			
10			
9			
8			
7			
6			
5			
4			
3			

Prices at left list the possible prices at which oil could be sold in the game. As students report each transaction, make a mark beside the price reported.

Separate transactions made during the first five minutes from those in other time frames. Transactions tend to move toward the equilibrium as time passes, mainly because more buyers and sellers become aware of the price of oil.

After 15 minutes, or sooner if the price has stabilized, declare the market closed, collect all outstanding cards, and ask the students to analyze what happened. Deal with the following questions:

1. Economists often talk about the supply and demand for a certain product. Who demanded oil in the game? (The buyers; the oil consuming nations.)

2. Who were the suppliers? (The sellers; the oil producing nations.)

3. At the beginning of the game, what was the range, the highest and the lowest prices, at which oil sold? Was the price range as wide during the succeeding five-minute periods? Why or why not? (Most simulations start off with the maximum range, from $3 to $21, with transactions moving toward the theoreical equilibrium of $11, by the end of the game. Don't expect $11 as the only price at the game's end. Prices will nearly always vary, but with each round the variance will lessen.)

4. By the end of the game, what price do you think would have been acceptable to the majority of Buyers and Sellers? Why? (Answers will vary. Usually students will see that a price becomes acceptable when it is not violating the majority of Buyers and Sellers instructions, and when it still allows some profit to both parties.)

5. What happened when a seller tries to sell at a price higher than the acceptable price? Did the same thing happen when a buyer tried to buy at a price lower than the acceptable one? (Students should suggest that the price above or below this acceptable price would be impossible for most participants to meet.)

6. How does the market for oil differ from the real world market? (Most of the oil sold in the world market is controlled by OPEC. This organization of petroleum exporting nations determines the supply and price of oil. There is no competitive market for the international sale of oil.)

THE OIL PRICE GAME

Part II

The first part of the simulation created a world market for oil, but it was unlike the present real market because it contained competition among both buyers and sellers. In recent years, the world market for oil has been dominated by a single selling cartel-- OPEC.
To simulate a cartel, tell Sellers that they must agree upon a price before beginning any bargaining. They must not change this price during the bargaining session.

Allow enough time for the oil producers to determine the oil price. After the "cartel" has decided on a price, distribute BUY cards to the rest of the class. These students should be instructed to buy oil at the lowest price possible, and yet not violate their instructions. Record the transactions as before. You should anticipate two outcomes:

1. Students in the "cartel" will stay with their fixed price, thus making it impossible for some buyers to purchase oil. Frustration will bring the game to an end quickly, with only a few students being able to make a transaction.

2. Sometimes "cartel" members will be unable to maintain their fixed prices, because of pressure imposed by the frustrated buyers. If this happens, keep the game going until the fixed price is either reestablished, or dissolves entirely.

At the end of the simulation have students review what happened. Use the following questions to help guide the thinking:

a. How was the price of oil determined in this game? (The cartel members agreed beforehand on the price. They tried to maintain this price despite pressure from their buyers.)

b. How did the outcome differ from the first one? (Probable answers: difference in final price; cartel produced a higher price.)

c. Why might some cartel members break a price agreement? (Some nations might think they could make more money by selling more oil at a lower price. Pressure from buyers, and distrust of other cartel members also might influence decisions.)

d. What factors help a cartel maintain a fixed price? (A cartel is most likely to be successful if the members have similar political or ideological ties.)

e. Of the two types of world oil markets, which is better for consuming nations? (The competitive market. In an open market, prices are lower and quantity produced is greater than in a controlled market.)

f. Which is probably better for producing nations--the cartel or competitive market? (Probably the cartel, since the profits are generally greater.)

g. How can a rise in world oil prices affect production of oil in the United States? (A higher world price might make it profitable tc develop new oil wells or seek alternative sources of energy. These activities would increase production of energy in the United States.)

h. What might happen if the price of oil quadrupled? (Perhaps worldwide economic depression. This, of course, could reduce the demand for oil to a point where oil prices might drop again.)

CONCLUDING THE LESSON: Conclude the lessons by reviewing some of the complex forces that bear on the pricing of commodities in world marketplaces. Encourage further research into the effect of higher prices of oil on people and the way they live. Assign students to do the following research activity.

FOR FURTHER RESEARCH:

Research one aspect of high energy prices. Choose one of the following areas: (a) residential and commercial buildings; (b) agriculture; (c) transportation; (d) leisure time activities; (e) industrial production; (f) new fuels and search for new sources of energy (or a return to old fuels). Use the following questions as a guide to your research.

1. Throughout most of our history, what energy policy have Americans followed with regard to ___________? (Name your specific area.) Has that policy contributed to any present problems in this area? List them.
2. What other problems does the nation face in this area today?
3. Are there current programs or projects intended to deal with these problems? Is the government sponsoring or encouraging any of these programs, such as conserving energy in these areas? Have they been effective so far? Why or why not? What are some private business programs? Are they effective?
4. Which solutions do you favor? Why?
5. What sacrifices will be needed to overcome high energy use (and resultant customer cost) in the area you are investigating? Do you think people will be willing to make the necessary sacrifices?

MULTINATIONAL CORPORATIONS

CONCEPTS: Definition of MNC, extent and size of MNC's, advantages of MNC's, disadvantages of MNC's

OBJECTIVES: The student will be able to:

1. define the term multinational corporation;
2. cite some statistics which show the extent and size of MNC's;
3. list the advantages of MNC's
4. list the disadvantages of MNC's.

MATERIALS:

1. Transparency #1 "Match the Company to the Country"
2. Transparency #2 "GNP of Selected Nations and Gross Sales of Multinational Corporations in 1969"
3. Transparency #3 "Twenty Largest U.S. Multinationals"
4. Transparency #4 "Twenty Largest Foreign Multinationals"
5. Lecture notes

PROCEDURES: Present the following information to the students in lecture form:

1. What is a multinational corporation (MNC)?
    a. A firm that is based in one nation but carries on production, research, or sales operations in many other nations.
    b. They are unique and important to us for 2 reasons: their enormous size and rapid growth (show transparency #1 and have students follow directions and discuss the answers)

2. The size and extent of MNC's (show transparency #2)
    a. MNC's are the largest firms in the world--their gross sales are larger than the GNP of many nations. (For example, General Motors is larger than Belgium, Luxembourg, Argentina, Switzerland, etc.--see transparency.)

    b. Their rapid growth is also important.
        1. They are growing faster than world trade.
        2. They are growing twice as fast as the economies of most nations.
        3. By the year 2000, experts predict they will account for half of all production in the non-Communist world.

c. What are some U.S. companies that are MNC's ? (Show and discuss transparency #3.)
d. What are the major foreign MNC's? (Show and discuss transparency #4)

3. Advantages of MNC's
    a. They help the host country by:
        1. increasing production, employment, and income there;
        2. keeping business activity at high levels;
        3. promoting improved use of technology;
        4. raising tax revenue there.
    b. They make the most efficient use of scarce resources by locating where the resources are abundant.
    c. They cause trade barriers to fall. When an MNC operates in a country, the goods are part of the host country's domestic production and not subject to tariffs or quotas.
    d. Some say they benefit American workers--a survey showed that those businesses with greater-than-average investment in foreign production increased their employment in the U.S. by 2.3%. Those that had less than average foreign investment decreased their U.S. employment by 4.1%
    e. They act as a force for peace. There are more than 1000 agreements in force between Western corporations and Communist countries. These ties encourage different systems to get along.

4. Disadvantages of MNC's
    a. Many say that they hurt the host country by:
        1. creating uneven growth based on what the MNC needs, not what the people need;
        2. using automation in areas where the greatest need is for jobs, not complex machinery;
        3. taking profits (which are excessive) out of the host country;
        4. creating a dependence on them in the host country which thwarts the development of "homegrown" businesses.
    b. They have too much power.
        1. They have the power of a government without the state's sense of responsibility.
        2. The MNC's are often able to influence political decisions in the host country.

c. They hurt America by:
    1. taking jobs away from Americans;
    2. draining tax revenue from the U.S.

REFERENCES

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Caterpillar Tractor Company. The World Economy and Multinational Corporations, 1978.

Wolkin, Lawrence & Glocker, Janet. Invitation to Economics. Glenview, Illinois: Scott, Foresman and Company, 1982, 364-365.

TRANSPARENCY #1

DIRECTIONS: GO OVER THE BRAND NAMES LISTED BELOW. DECIDE WHICH ONES YOU THINK ARE OWNED BY NON-AMERICAN COMPANIES. GUESS WHAT COUNTRY IS THE HOME OF THE CORPORATION.

______________ Nestle

______________ Volvo

______________ Libby

______________ Volkswagen

______________ Pepsodent

______________ Shell

______________ Keebler

______________ Sony

______________ Magnavox

______________ Scripto

______________ Lipton

______________ Baskin-Robbins

ANSWERS

Nestle -- Switzerland

Volvo -- Sweden

Libby -- Switzerland

Volkswagen -- West Germany

Pepsodent -- Great Britain/Netherlands

Shell -- Great Britain/Netherlands

Keebler -- Great Britain

Sony -- Japan

Magnavox -- Netherlands

Scripto -- Great Britain

Lipton -- Great Britain

Baskin-Robbins -- Great Britain

TRANSPARENCY #2

GNP OF SELECTED NATIONS AND GROSS SALES OF MULTINATIONAL CORPORATIONS IN 1969 (IN BILLIONS OF DOLLARS)

1. United States	931.4	29. South Korea	7.0
2. Japan	164.8	30. MOBIL OIL	6.6
3. West Germany	153.7	31. Thailand	6.3
4. France	137.8	32. TEXACO	5.9
5. United Kingdom	108.6	33. Peru	5.1
6. Italy	82.3	34. GULF OIL	4.9
7. Canada	73.4	35. WESTERN ELECTRIC	4.9
8. India	39.6	36. U. S. STEEL	4.7
9. Brazil	39.4	37. Israel	4.7
10. Australia	29.9	38. STANDARD OIL OF CALIF.	3.8
11. Mexico	29.4	39. Malaysia	3.7
12. Spain	28.7	40. LING-TEMCO-VOUGHT	3.7
13. Sweden	28.4	41. DU PONT	3.6
14. Netherlands	28.4	42. PHILIPS	3.6
15. GENERAL MOTORS	24.3	43. SHELL OIL	3.5
16. Belgium-Luxembourg	22.9	44. VOLKSWAGEN	3.5
17. Argentina	19.9	45. WESTINGHOUSE	3.5
18. Switzerland	18.8	46. STANDARD OIL OF INDIANA	3.5
19. South Africa	15.8	47. BRITISH PETROLEUM	3.4
20. STANDARD OIL OF NEW JERSEY	15.0	48. Ireland	3.4
21. FORD MOTOR COMPANY	14.8	49. GEN. TEL. & ELECTRONICS	3.3
22. Austria	12.5	50. ICI	3.2
23. ROYAL DUTCH/SHELL	9.7	51. GOODYEAR	3.2
24. Norway	9.7	52. RCA	3.2
25. Greece	8.5	53. Algeria	3.2
26. GENERAL ELECTRIC	8.4	54. Morocco	3.1
27. Phillipines	8.1	55. SWIFT & CO.	3.1
28. IBM	7.2	56. South Vietnam	3.1

TRANSPARENCY #3

TWENTY LARGEST U. S. MULTINATIONALS

Rank	Company	Total revenue (millions)	Foreign as % of total
1	Exxon	$60,335	73.5
2	Mobil	34,736	59.0
3	Texaco	28,608	66.2
4	Ford	42,784	35.0
5	General Motors	63,221	22.4
6	Standard Oil of Calif	23,232	60.9
7	Intl Business Machines	21,076	52.4
8	International Tel & Tel	19,399	51.7
9	Gulf Oil	18,069	51.1
10	Citicorp	7,556	68.3
11	Englehard Min & Chem	10,174	50.2
12	General Electric	20,073	21.8
13	Standard Oil of Indiana	14,961	25.6
14	Continental Oil	9,834	35.1
15	BankAmerica	6,964	49.4
16	Dow Chemical	6,888	47.1
17	Sears, Roebuck	26,320	10.8
18	Xerox	5,902	47.2
19	Chase Manhattan	4,461	62.5
20	Goodyear	7,489	36.2

Source: Forbes, June 25, 1979, p. 56

TRANSPARENCY #4

TWENTY LARGEST FOREIGN MULTINATIONALS

Rank	Company	Total revenue (millions)	Foreign as % of total
1	Royal Dutch/Shell Group/Neth-Bri.	$45,246	----
2	British Petroleum/Britain	27,407	81.0
3.	Philips Gloeilampenfabrieken/Neth	15,096	90.0
4.	Unilever/Britain-Neth	18,152	----
5.	Nestle/Switzerland	11,798	----
6.	Bayer/Germany	11,369	70.6
7.	Volkswagenwerk/Germany	13,305	58.0
8.	Siemens/Germany	14,443	50.5
9.	Compagnie Francaise des Petroles/France	10,876	----
10.	B. A. T. Industries Britain	7,751	83.5
11.	Daimler-Benz/Germany	12,066	52.4
12.	Renault/France	12,684	45.1
13.	BASF/Germany	10,710	50.9
14.	Imperial Chemical Industries Bri	8,701	51.4
15	En/Italy	12,576	----
16	Hoechst/Germany	12,044	33.1
17	Saint-Gobain-Pont-a-Mousson/Fr	7,579	50.1
18	AEG-Telefunken/Germany	7,018	46.1
19	P.S.A. Peugcot-Citroen/France	10,526	----
20	BL Ltd/Britain	5,898	44.2

Source: Forbes, June 25, 1979, p.62

COMMUNICATION PROBLEMS IN INTERNATIONAL TRADE

INTRODUCTION: With the trend toward an increasingly interdependent world in trade relations, communications play a vital role.

OBJECTIVES: The student will be able to:

1. think about ways to communicate non-verbally;
2. recognize that lack of communication may cause barriers in trade negotiations with a foreign company;
3. develop an awareness of the need for international communication in trade relations (Careers in foreign language might also be mentioned here);
4. understand that it is of primary importance that we understand the culture of our international trading partners in order to communicate effectively.

MATERIALS:

1. Olympic game signs
2. Hand-out sheet on hypothetical situation in which an American tries to negotiate a business deal with a Japanese executive
3. Hand-out sheet containing facts on the Japanese culture as it influences business dealings
4. Chalkboard, chalk

PROCEDURES:

1. Show students some signs which are used at the Olympic games (supplement #1) and ask them to interpret the meaning of the signs. Discuss reasons why such signs are needed at the Olympics.
2. Have students go to chalkboard and draw a sign they saw on the way to the school today. Let other class members interpret the meaning of the signs. Discuss why signs with drawings instead of words are used.
3. Give students a hand-out sheet on doing business with the Japanese (supplement # 2). Compare these cultural traits to those found in our society. Discuss how different cultural traits could serve as a barrier to effective communication.
4. Discuss with students how verbal and non-verbal communication play a vital role in trade negotiations. Have students non-verbally communicate the emotions--fear, anger, hate, distrust, anxiety, joy, etc.
5. Have students role-play a hypothetical situation in which they represent an American firm in Japan, doing business with a Japanese firm.

EVALUATION: Answer the following questions:

1. Why is communication of great importance in trade negotiations?
2. What things should one know before one attempts to negotiate a trade agreement with a foreign company?
3. After reading the hand-out sheet on doing business with Japan, list some mistakes an American might make in dealing with the Japanese.
4. List two types of non-verbal communication which we studied.

Handout #1

HOW TO NEGOTIATE IN JAPAN

Listed below are some of the distinctive behavorial characteristics of the Japanese that influence their negotiations with U.S. executives.

1. EMOTIONAL SENSITIVITY. The Japanese are emotionally sensitive and they appreciate it when foreigners show this trait.

2. HIDING OF EMOTIONS. They go out of the way to conceal their feelings concerning others. They are usually unwilling to do business with someone they think may prove to be arrogant or unpleasant; yet the person with whom they are dealing may be unable to detect any clues as to the Japanese businessman's feelings toward him.

3. POWER PLAYS. Japanese dislike the bold use of power and try to avoid situations where this takes place. They dislike displays of power in business and have developed a remarkable ability to conciliate.

4. AMAERU AND PATERNALISM. Amaeru may be defined as the longing to be looked after and protected. This trait is one of the forces that has led to the lifetime employment system. Japanese employees are completely loyal to the companies for which they work. Also, if the American deal will recruit many workers, the Japanese want to be reasonably sure that those to be hired will be given steady employment.

5. GROUP SPIRIT. The Japanese prefer to work as members of a group rather than individually. In the lifetime employment system, it is desirable that no one makes a conspicuous mistake. Group decision-making avoids this.

6. RINGI PROCESS. This decision-making process is based on the principle that decisions will be made by groups, in accordance with free consensus . The proposal is passed upward and horizontally to all who are concerned.

7. SPECIAL INTERESTS. In Japan, "face" is a factor. Sometimes an organization will decide on a certain course, not because of economic or political reasons, but in order to save face for some important person.

8. DELAYS IN DECISIONS. Usually the management refers the matter to lower levels and then it moves up to the higher levels as

well as through many government agencies. This process may take several months.

9. THREE-CORNER TALKS. At least three parties are involved--the Japanese company, the foreign company, and the Japanese government.

10. THE AVOIDANCE OF NO. You rarely receive a "no" from a Japanese businessman. Even when he means "no" he uses "yes" in the verbal form. For example, if, when pressed for an answer, a Japanese businessman draws breath through his teeth and says "sah" (it has no meaning), or says, "It is very difficult," the chances are strong he means "no".

11. VALUE OF FRIENDSHIP. Friends are often called on in Japan to give help. The more good friends a man has, the more secure he feels. The longer the contact, the greater the value. The average resident Occidental stays only about two years and this does not allow for valuable friendships.

12. NO ARGUMENT, PLEASE. When challenged, a Japanese usually will not retort, argue, or even discuss a point when he thinks he is right. He just remains quiet. When negotiating, Occidentals should remember this and not consider the Japanese stubborn or closed-minded because of it.

Notes

[1] Samovar, Larry & Porter, Richard. Intercultural Communication: A Reader. Belmont, Calif: Wadsworth Publishing Co., Inc. 1972. 266-272.

Handout #2

ROLE-PLAY

CHARACTERS:	A, B, and C

Mr. A - American businessman who sells toothbrushes

Mr. B - Mr. A's friend, also an American.

Mr. C - a Japanese executive

SITUATION: Mr. A is in Japan on business. He has already made his contact with the firm with which he is negotiating a trade agreement. His firm makes unusual toothbrushes. Not only are they able to reach the hardest-to-reach teeth; they have an added bonus--his toothbrushes are permanently flavored in a variety of flavors. These flavors guarantee a pleasant taste and a breath that is not offensive to others.

As Mr. A is having dinner in a Japanese restaurant, he recognizes Mr. B--a long-time friend who is in Japan representing an American dental supply company. Mr. B relates a meeting he had with Mr. C, a Japanese executive. It seems that Mr. C has been looking for a product such as Mr. A is selling. He would like to place a substantial order for toothbrushes such as Mr. A sells.

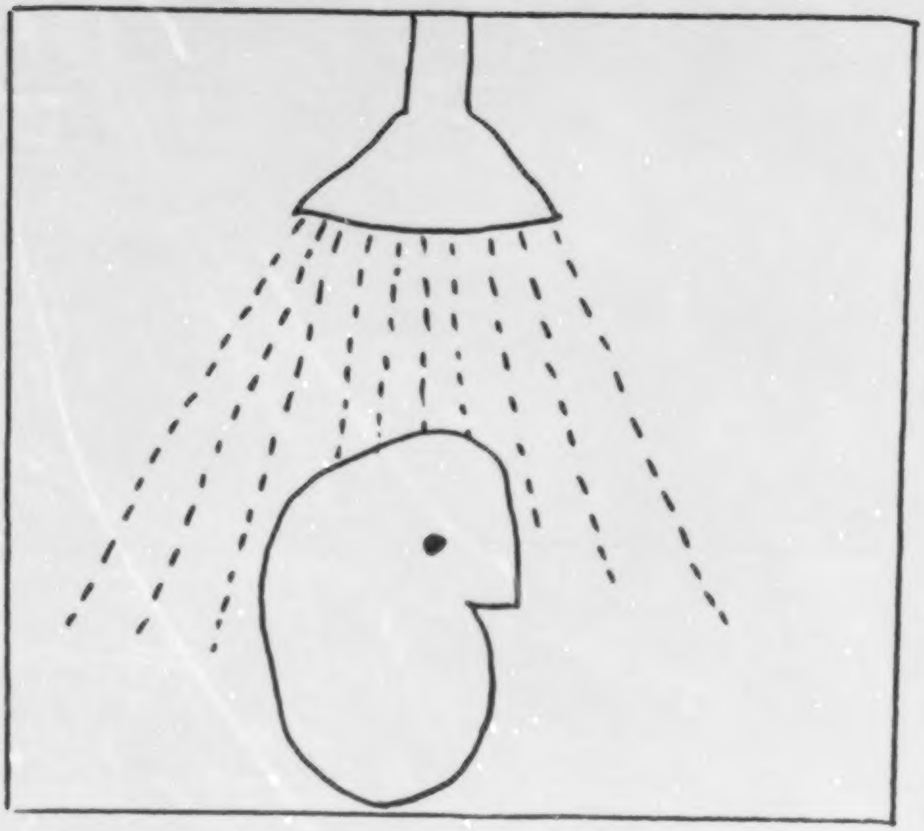
Mr. A makes an appointment and calls on Mr. C. Mr. A does not speak Japanese and Mr. C does not speak English.

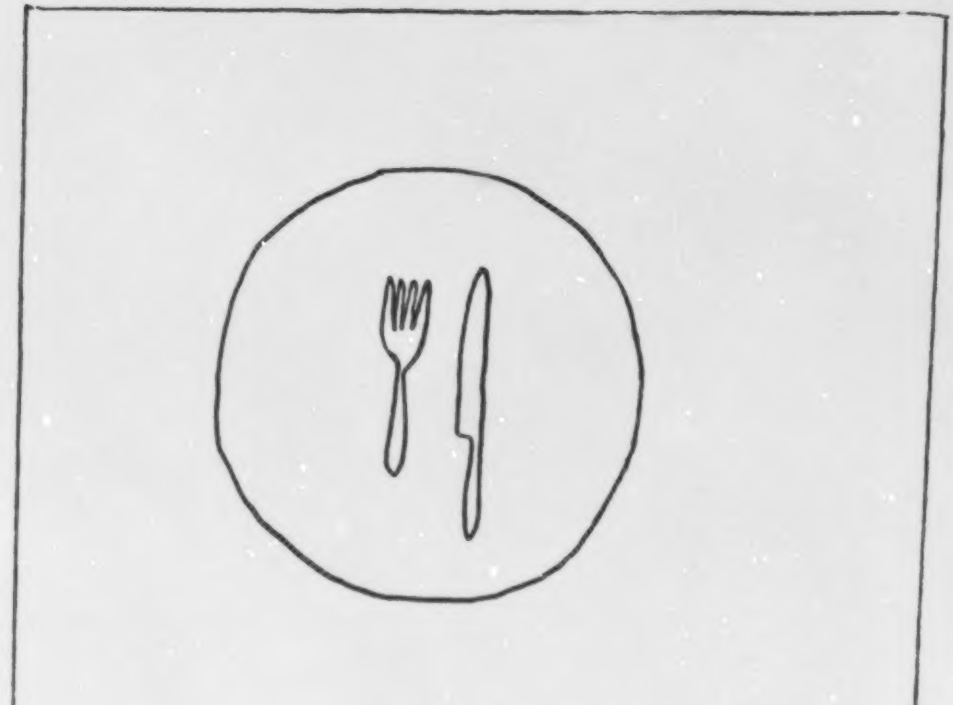
ASSIGNMENT: The student playing Mr. A must communicate non-verbally with Mr. C showing him the merits of his toothbrushes. Mr. C agrees to buy, places an order of 75,000 toothbrushes and they finalize the deal.

79

Supplement #1

Signs at the Olympic Games





WHAT'S HAPPENING IN YOUR STATE?

CONCEPTS: Exports, international trade

OBJECTIVES: Given information on the exports of the home state, students will:

1. use tabular data and pictograms to comprehend information concerning exports of the state;
2. give specific examples of goods and their manufacturers for different categories of manufactured exports of the state;
3. recall data concerning the value of exports of the state;
4. make a pictogram depicting information about the state's exports or create an advertisement to create interest and demand for a state export.

MATERIALS:

1. "Exports" booklet of the State Export Series for your home state - if a classroom set or several copies can not be obtained, the teacher may wish to make transparencies of the excellent tables found in this book. (Obtain for $ .90 from the nearest district office of the U.S. Department of Commerce.)

PROCEDURES:

1. Begin the lesson by having students read the inside cover and first page of the "Export Series" book. Ask students to summarize the information by asking the following questions:

   a. What do you think is the most significant information you read on these two pages? Why?
   b. After reading the information found on these two pages, what would you say about the value of exports to the United States economy?

2. Point out the use of pictograms on page one of the booklet to visually illustrate the relative value of exported manufactured goods and agricultural products for the state. Check to be sure students are able to "read" the information contained in the pictograms as some students will be using information in the booklet to make pictograms at the end of the class period.

3. Have students use prior knowledge about their state to venture some "guesses" as to products in which their state leads or ranks highly in the nation. Then have

students read the section of the booklet which contains specific information on exports of the state.

4. After students have finished reading, ask them if there are any clues in this part of the reading as to the "main ideas" of this section of information. Point out that authors often use "headlines" or "section titles" to summarize the "main ideas" of the information presented. Have students give other examples of the use of this summarizing technique (other textbooks, news magazines, etc.)

5. Direct student attention to the tables of the booklet depicting manufactured exports and agricultural exports of their state. Provide practice in "reading" tabular information through such questions as:

   a. What is the leading manufactured export of the state?
   b. What industries, combined, acount for over one-half of the state's total value of manufactured exports?
   c. For which industry group(s) do exports account for the largest percentage of total production?
   d. For which industry group(s) do exports account for the largest percentage of total employment in the industries?
   e. Which industry group has experienced the largest percentage of export growth in the last few years? (What might account for this growth?)
   f. For which industry group(s) has the export increase as a percentage of total production increase been the largest?
   g. What has been the percentage of growth in agricultural exports between ______? (Use years presented in the booklet.)
   h. For which, manufactured goods or agricultural products, is the export value higher? (Give an example of a state for which you believe the opposite might be true.)
   i. If you were going to start an exporting company, in which manufactured goods or agricultural products would you specialize?

6. Provide practice in categorizing skills by having students give examples of specific exported goods for the industry groups presented in the table depicting the state's manufactured exports. Encourage students to provide, if possible, the names of firms or

businesses which produce those goods. (As an option have students use the table to determine the industry category to which the products belong.)

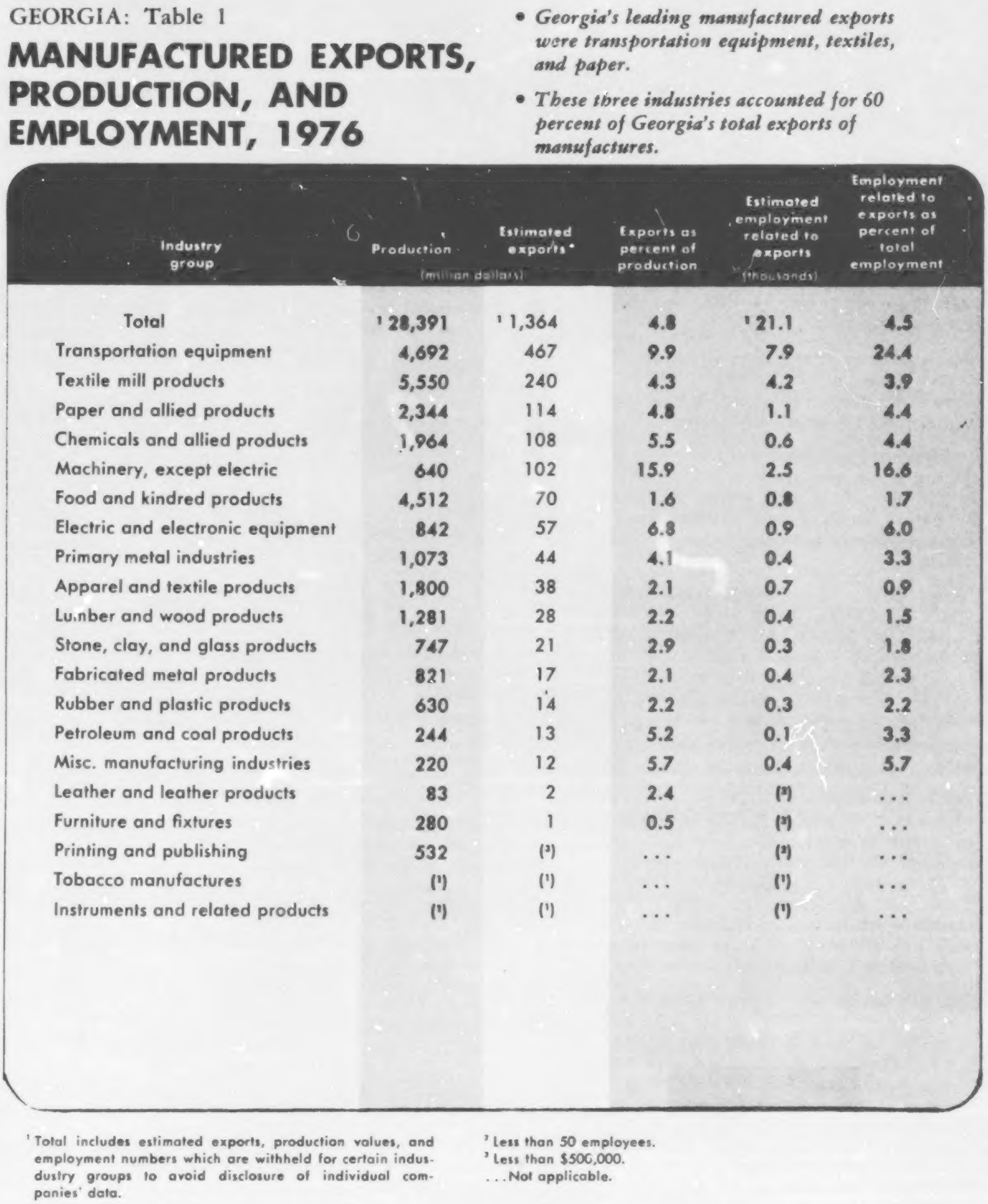
7. Using the tables "Agricultural Exports by State" and "Manufactured Exports by State", students determine rankings of their state relative to other states of the nation. Then they use the same tables to determine the leading exporting state in both categories.

8. Conclude the class presentation by dividing the class into groups of four or five students each. Assign one group the task of preparing and keeping current a bulletin board display of newspaper and magazine clippings illustrating the importance of international trade to the state. The other groups will either:

   a. Prepare a pictogram to illustrate data represented in tabular form in the state booklet of the "State Export Series." Some possibilities include:
      (1) value of exports for leading industry group as a proportion of total value of manufactured exports of the state.
      (2) value of leading agricultural export as a proportion of total value of agricultural exports of the state.
      (3) proportion of total manufactured exports accounted for from a specific Standard Metropolitan Statistical Area of the state.
      (4) proportion of total employment related to exports accounted for by the state's leading industry group.

   b. Create an advertisement for one of the state's leading exports. The major purpose of the advertisement should be to create interest and demand for the product in another country. Explain that the writing for the ad can be in English even though, ideally, it should be in the language of the country for which it is intended. Perhaps students can identify a foreign language teacher or community resource person to assist in writing the ad in the chosen nation's language. Group work can be presented to the entire class the next day or later in the unit of study.

SAMPLE DATA FROM THE STATE EXPORT SERIES (GEORGIA)



GEORGIA: Table 1

MANUFACTURED EXPORTS, PRODUCTION, AND EMPLOYMENT, 1976

- *Georgia's leading manufactured exports were transportation equipment, textiles, and paper.*
- *These three industries accounted for 60 percent of Georgia's total exports of manufactures.*

Industry group	Production (million dollars)	Estimated exports (million dollars)	Exports as percent of production	Estimated employment related to exports (thousands)	Employment related to exports as percent of total employment
Total	[1] 28,391	[1] 1,364	4.8	[1] 21.1	4.5
Transportation equipment	4,692	467	9.9	7.9	24.4
Textile mill products	5,550	240	4.3	4.2	3.9
Paper and allied products	2,344	114	4.8	1.1	4.4
Chemicals and allied products	1,964	108	5.5	0.6	4.4
Machinery, except electric	640	102	15.9	2.5	16.6
Food and kindred products	4,512	70	1.6	0.8	1.7
Electric and electronic equipment	842	57	6.8	0.9	6.0
Primary metal industries	1,073	44	4.1	0.4	3.3
Apparel and textile products	1,800	38	2.1	0.7	0.9
Lumber and wood products	1,281	28	2.2	0.4	1.5
Stone, clay, and glass products	747	21	2.9	0.3	1.8
Fabricated metal products	821	17	2.1	0.4	2.3
Rubber and plastic products	630	14	2.2	0.3	2.2
Petroleum and coal products	244	13	5.2	0.1	3.3
Misc. manufacturing industries	220	12	5.7	0.4	5.7
Leather and leather products	83	2	2.4	(2)	...
Furniture and fixtures	280	1	0.5	(2)	...
Printing and publishing	532	(3)	...	(2)	...
Tobacco manufactures	(1)	(1)	...	(1)	...
Instruments and related products	(1)	(1)	...	(1)	...

[1] Total includes estimated exports, production values, and employment numbers which are withheld for certain industry groups to avoid disclosure of individual companies' data.

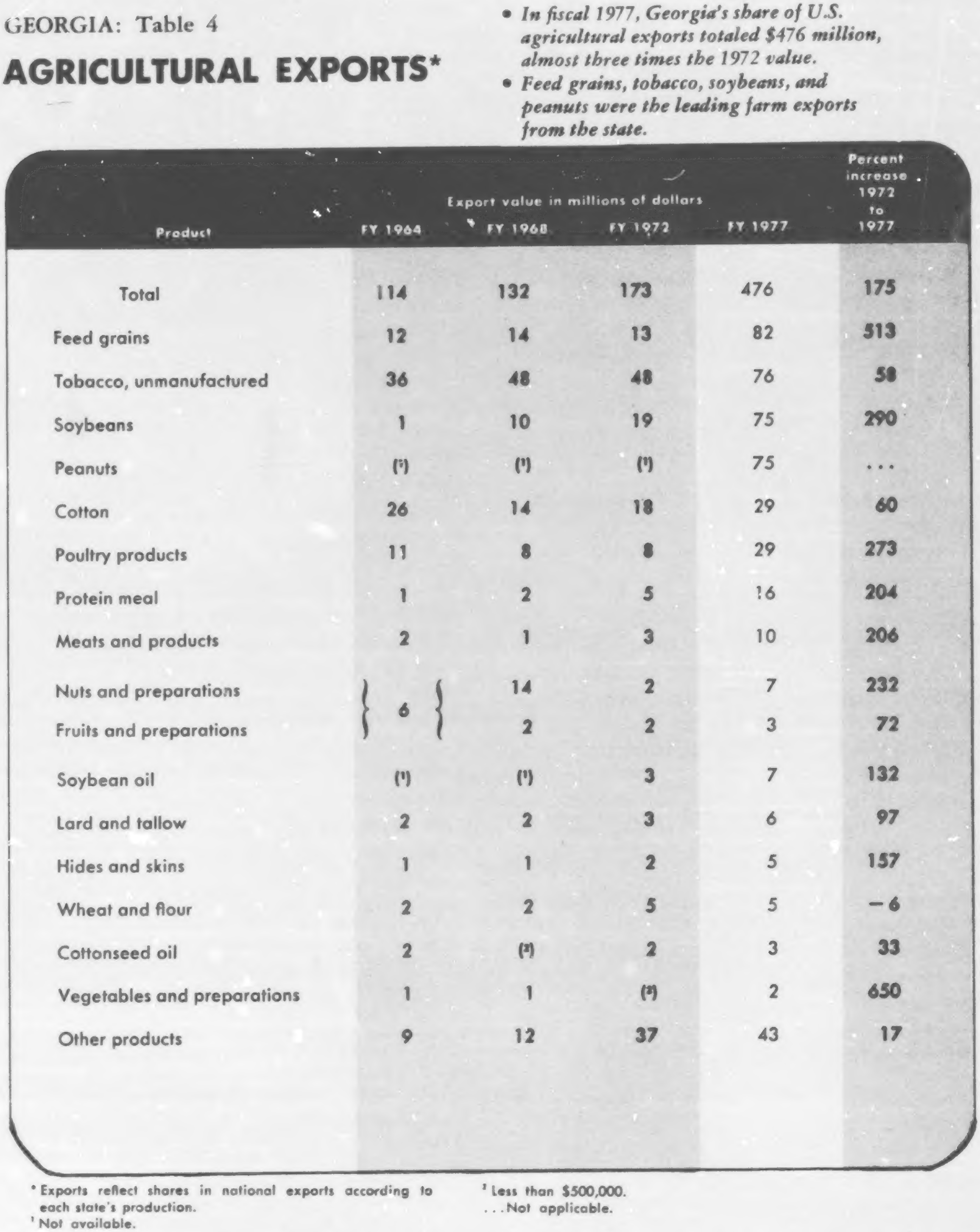
[2] Less than 50 employees.

[3] Less than $500,000.

...Not applicable.

Taken from Georgia Exports, U.S. Department of Commerce, November, 1978, p. 4.

SAMPLE DATA FROM THE STATE EXPORT SERIES (GEORGIA)



GEORGIA: Table 4

AGRICULTURAL EXPORTS*

- *In fiscal 1977, Georgia's share of U.S. agricultural exports totaled $476 million, almost three times the 1972 value.*
- *Feed grains, tobacco, soybeans, and peanuts were the leading farm exports from the state.*

Product	Export value in millions of dollars				Percent increase 1972 to 1977
	FY 1964	FY 1968	FY 1972	FY 1977	
Total	114	132	173	476	175
Feed grains	12	14	13	82	513
Tobacco, unmanufactured	36	48	48	76	58
Soybeans	1	10	19	75	290
Peanuts	(¹)	(¹)	(¹)	75	...
Cotton	26	14	18	29	60
Poultry products	11	8	8	29	273
Protein meal	1	2	5	16	204
Meats and products	2	1	3	10	206
Nuts and preparations	6	14	2	7	232
Fruits and preparations		2	2	3	72
Soybean oil	(¹)	(¹)	3	7	132
Lard and tallow	2	2	3	6	97
Hides and skins	1	1	2	5	157
Wheat and flour	2	2	5	5	−6
Cottonseed oil	2	(²)	2	3	33
Vegetables and preparations	1	1	(²)	2	650
Other products	9	12	37	43	17

* Exports reflect shares in national exports according to each state's production.

[1] Not available.

[2] Less than $500,000.

. . . Not applicable.

Taken from Georgia Exports, U.S. Department of Commerce, November, 1978, p. 10.

INTERNATIONAL TRADE IN THE LOCAL COMMUNITY

CONCEPTS: Exports, imports

OBJECTIVES: Following a case study of one or more businesses/industries of the local community, students will:

1. name one or more local businesses/industries directly involved in international trade;
2. identify countries to which locally-made products are exported;
3. identify materials imported for use in the local production of a product and the countries of origin for the imported materials;
4. give examples of the impact of a local exporting and/or importing company on the economic life of a community and its people.

MATERIALS:

1. Wall map of the world
2. Colored yarn (two different colors for each case study

PROCEDURES

1. Perhaps the best way to make students aware of the importance of international trade to their own life, the lives of family and neighbors and the life of the community is through the case study of a business or industry of the local community or immediate area that is directly involved in the exporting of raw materials or finished products. To begin the study the teacher and/or students will first have to identify such a business or industry. One source of such information will be a staff member of the local Chamber of Commerce. (There is a separate booklet for each of the fifty states with one page of the booklet devoted to a listing of illustrative exporting companies of the state. A copy of the booklet can be ordered from any U.S. Department of Commerce District Office for $.90). In addition the Department of Industry and Trade for many states publishes a booklet listing numerous state firms involved in international trade. (The Georgia Department of Industry and Trade publishes the booklet, "Georgia International Trade Directory." This booklet identifies companies known to be involved in exporting and importing and categorizes companies by product type. The book can be obtained from the Georgia Department of Industry

and Trade, 1400 North Omni International, P.O. Box 1776, Atlanta, Georgia, 30301).

2. Once one or more case studies have been identified, information concerning importing and/or exporting activities can be obtained by

   a. arranging for company representatives to speak to the class.
   b. having student teams arrange interviews with appropriate company representatives.

3. Study of the company(ies) should first focus on the materials or finished products exported (and the countries to which they are exported) and imported (and the countries from which they are imported). To visually depict the trade activities, students use one color of yarn to connect the geographical location of the business to the locations of countries to which exports are sent and another color of yarn to connect countries which import raw materials or products to the local business and the geographical location of the business.

4. The other focus of the study should be on the impact of the exporting and/or importing local business/industry on the lives of people in the community and the economic well-being of the local community. To do this, obtain the following types of information through the visit of the business representive or the student interviews.

   a. Total employment of the business.
   b. Total sales of the business.
   c. Percent of total sales derived from exports.
   d. Percent of the labor force owing its employment to international exporting (approximately determined by dividing the value of exported goods by the total sales of the business).
   e. Community projects supported by the business (made possible, partially, through foreign sales).
   f. Effect of the business on employment in other businesses in the local community.
   g. Personal contacts with peoples or other countries made possible through company sales abroad.
   h. Impact on the economic well-being of the local community were the business to close.

5. If the community is not too large, students will be able to offer names of families which owe their economic livelihood to the local business and its sales. Ask students to hypothesize what these families might do were the business to shut down.

INTERNATIONAL FINANCE AND EXCHANGE RATES

OBJECTIVES: The student will be able to:

1. explain how the value of currencies is determined at a currency market on the basis of supply and demand;
2. explain how factors such as technology, inflation, amount of money in circulation, conditions in a foreign country, etc. can affect supply and demand and therefore the relative price of currencies.

MATERIALS:

1. Student Reading: FOREIGN CURRENCY AND EXCHANGE (can be duplicated and distributed to the class or read aloud to them)
2. candy (at least 71 pieces per class)
3. Egyptian piaster and pound bills (duplicate the enclosed pages--approximately one page of each for each student in the class)
4. 15 American dollars (plus some extras in case some students decide to hold their dollars instead of buying candy at the end of round 2)

ACTIVITY: "Foreign Exchange Simulation" (This activity is adapted from Trees and TV's in the International Marketplace, Washington Council on Economic Education. Certain changes have been made in it to make it more workable.)

PROCEDURES:

1. Tell students that today we will look further at money and the process by which it is exchanged and valued by two or more countries.

2. Read, or have the students read, the Student Reading FOREIGN CURRENCY AND EXCHANGE.

3. Announce that you are setting up a currency market.

4. Declare that you will sell 1 (one) piece of candy for 1 (one) American dollar--display the dollar replicas.

5. Tell the students that they will simulate Egyptian citizens. Each will receive a random amount of Egyptian piasters and pounds.

6. Distribute, at random, five Egyptian bills of various values to each student.

7. Indicate that Egyptian money uses the same system as American for counting: there are 100 piasters in a pound.

8. The only way candy can be purchased is with one of your American dollars. Therefore, you will sell only 15 pieces of candy during the first round, 15 during the second, and 10 during the third.

9. Students will need to trade their piasters for your dollars before they can buy the candies.

10. Appoint one banker and one tally keeper, each of whom will be paid one piece of candy for their work during each round.

11. Give the banker the rest of the Egyptian money and the dollars. Set up the bank at the front of the room.

12. On the board duplicate the following chart:

Round 1	Round 2	Round 3

Have the tally keeper stand by the chart and keep track of how much each of the American dollars sells for.

13. Announce that you will begin the bidding for American dollars. The only acceptable payment is Egyptian piasters and pounds. Start the bidding at 25 piasters.

14. As each bid is accepted the bidder should go to the bank and exchange the Egyptian money for American dollars.

15. When all the American dollars are sold, have the students bring their dollars up to purchase candy.

16. Distribute another two pieces of Egyptian money to each student.

17. As round 2 begins, tell the students that the price of candy is going to change for round 3 but they will

not know if the price will go up or down. If they wish, they can hold their dollars at the end of round 2 or go ahead and purchase the candy then.

18. Conduct round 2 and allow the students to purchase candy if they wish.

19. Distribute 2 more Egyptian bills to each student and use one of the following alternatives: 1) say that improved technology has brought the price of candy down to 2 for a dollar, or 2) say that inflation has caused the candy company to double the price of their candy.

20. Conduct round 3 selling only 10 American dollars.

Debriefing Questions:

At the end of Round 1:
1. What prices were paid for the American dollar?
2. Why did the price vary?
3. What determined the exchange rate of piasters and dollars?
4. What factors influenced demand for American dollars in this class? (size of class, how much they like the candy, how hungry they are, etc.)
5. Why was the bid for the last American dollar higher than the ones immediately preceding it?
6. At first the bids were relatively high, but as the round progressed, the bids generally got lower. Why did this happen? (less money in circulation, not as many people could afford it, etc.)

At the end of Round 2:
1. How did the bidding in this round compare with Round 1?
2. What could have caused the variations?

At the end of Round 3:
1. (If you lowered the price of the candy) What effect does technology have on the demand for the American dollar?
2. (If you raised the price of the candy) What effect does inflation in America have on demand for the American dollar?
3. What features of this simulation are similar to the real world?
4. What features of this simulation are unlike the real world?

Student Handout

FOREIGN CURRENCY AND EXCHANGE

The world of foreign currency often seems confusing. Piasters, lira, pence, rubles, yen and krona are terms difficult enough to comprehend on their own without adding the task of trying to figure out what each is worth in terms of United States dollars.

All of these currencies are money, so all serve the same functions. Money is a medium of exchange, a store of value and a measure of value. As a medium of exchange, money is accepted as a means for purchasing goods and services. Both the consumer and producer agree to the form of money. As a store of value, money can be saved for future use, a characteristic that many items used as barter goods did not have. Where crops could spoil or animals die, money lasts for a long period of time. As a measure of value money allows us to compare the worth of one object with the worth of another. We can say a car is worth so many dollars, while a record is worth so many dollars. Foreign currencies all serve the same three functions.

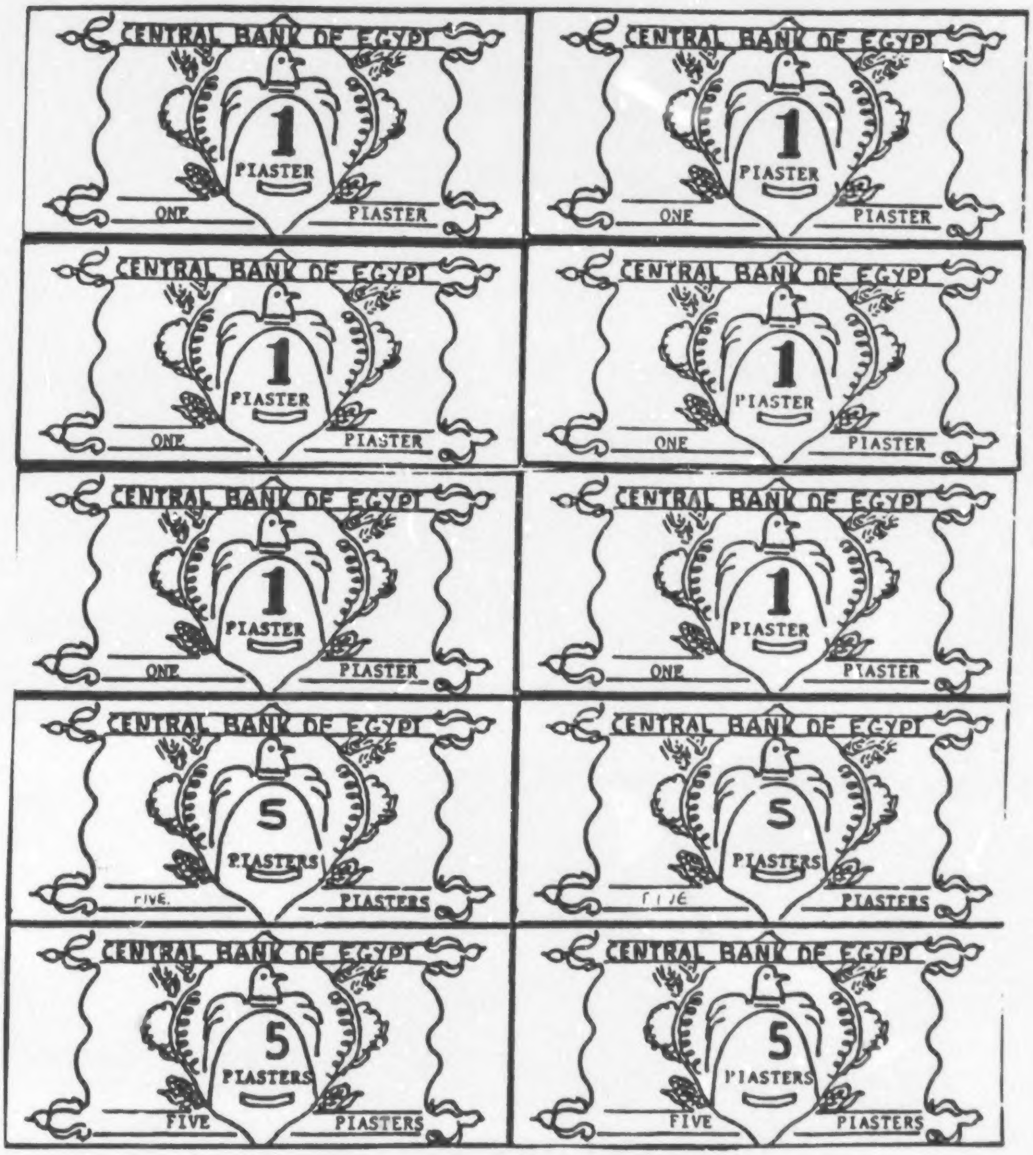
Now to the important question: How do we know how much any currency is worth? The simple answer is that money is worth whatever people are willing to pay for it. This means it is simply a case of supply and demand. If there is little demand for a country's currency and it is in large supply, the money will be worth less than if there is a high demand for it or a small supply of it.

As an example, if the United States buys more imports, there is a greater supply of U.S. dollars outside the country. As the supply increases, the money is worth less. Thus, we say the money is devalued. If countries want the currency of another country, its money will be more highly valued.

Currency values and exchanges are usually made at currency markets. These are places where countries and banks can find out relative values of different currencies. Each day the values change, and often the changes will be made within a day. In the past, currency values were set at a rate and maintained for a period of time. Now supply and demand allows constant alterations.

The situation of foreign exchange is eased somewhat because many financial deals are calculated in United States dollars. An African country buying oil from Kuwait might well calculate the sale in terms of United States dollars. At present, approximately 70% of all international trade is invoiced in United States dollars. A hundred years ago when the British pound was the most important currency in the world, almost all transactions were recorded in British pounds. Business people have found this to be easier for them.

Let's look at how a currency market functions.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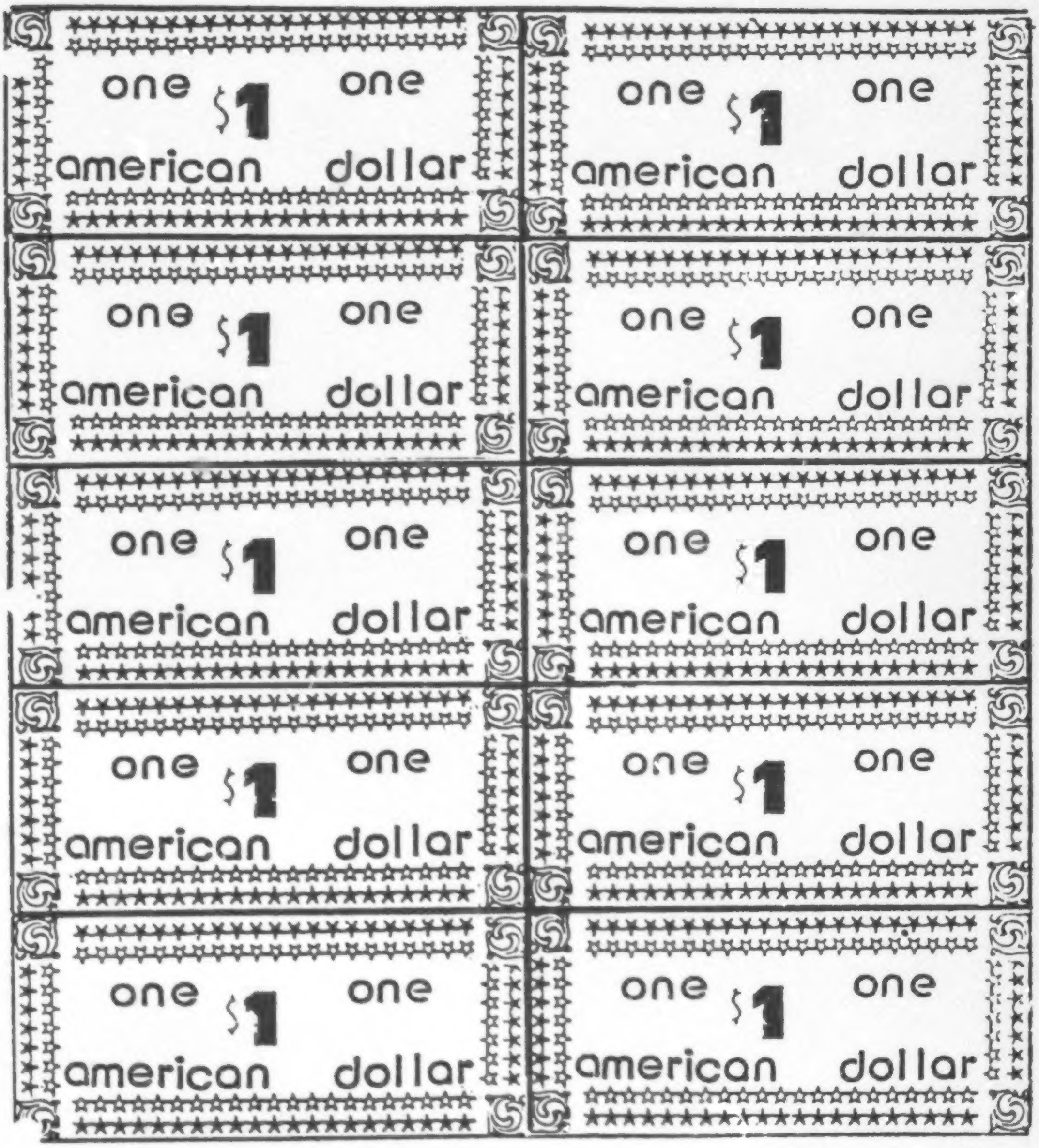
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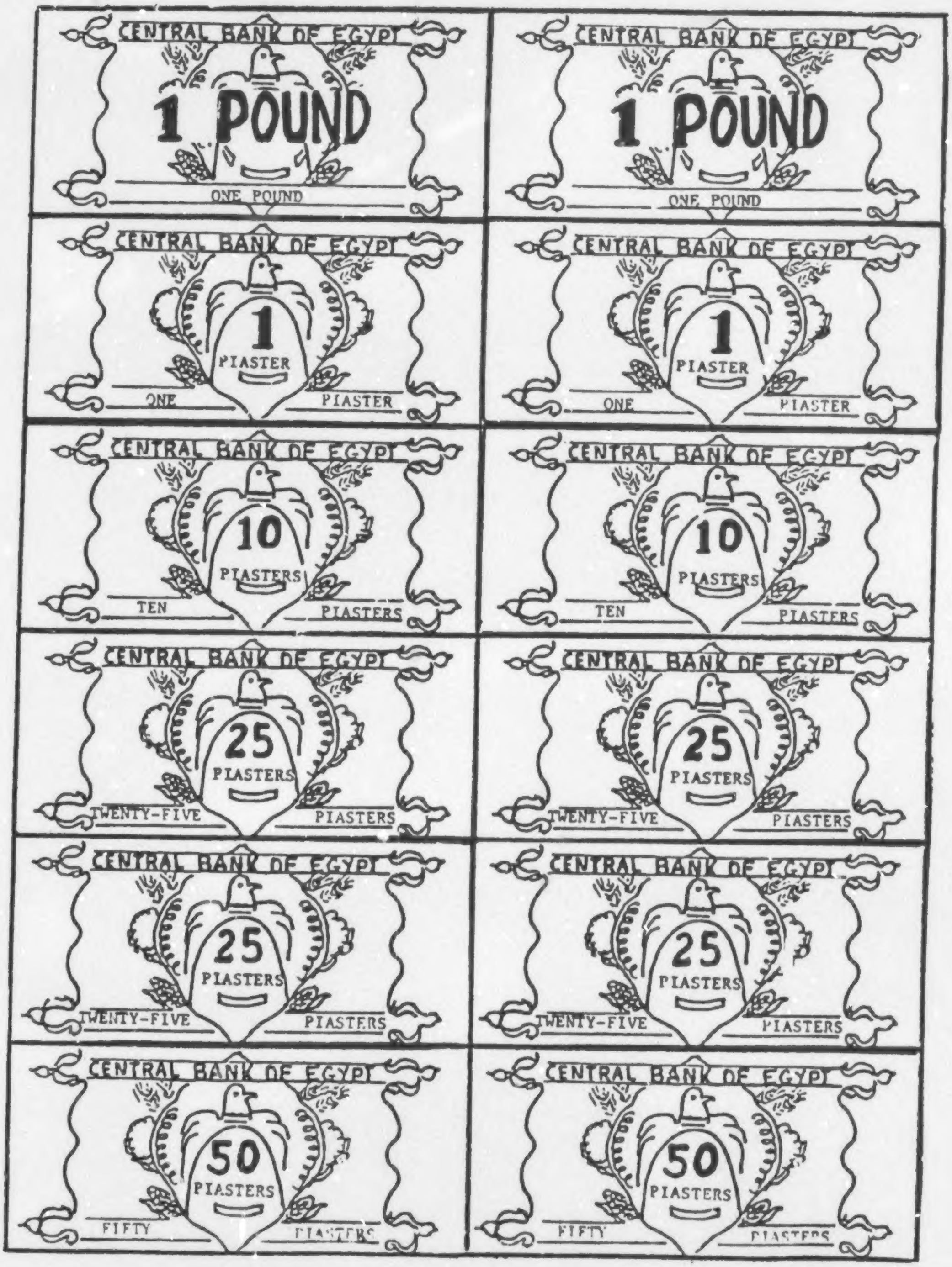
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INTERNATIONAL MONETARY SYSTEM

CONCEPTS: Economic growth, exchange rates, economic stability

OBJECTIVES: Students will be able to:

1. describe the methods of selling goods and services in the international markets at prices determined by the basic economic concept of supply and demand;
2. describe the functions of international exchange rates;
3. identify the role of commercial banks in handling international transactions which involve different currencies;
4. identify the monetary units of foreign currencies;
5. examine how the international exchange rate affects relative prices of foreign and domestic goods in the United States;
6. distinguish between fixed and floating exchange rates;
7. define devaluation, depreciation, and appreciation;
8. describe methods of exchanging currency.

INTRODUCTION: Lecture

Nearly every country has its own monetary system. Our currency in the United States is the dollar. France's is the franc; West Germany's is the mark; Japan's is the yen, and so on. With every country having its own currency, how do countries trade with one another? They trade through foreign exchange markets that buy and sell the currencies of different countries. There is an international exchange rate system which is the price of one currency (like the yen) in terms of another national currency (like the U.S. dollar). This international exchange rate between countries is a very important aspect of world trade. There are over 100 national currencies in the world today.

An example might clarify some of the questions that you have regarding currency exchanges. Let us pretend that you own a gift shop that sells perfume. If you buy from a New Orleans, Louisiana, firm, you simply pay in dollars--only one currency is involved. However, if you buy from a company in France, the price will be quoted in francs and the French perfume company expects to be paid in francs. You will need to find the exchange rate and convert the franc price into dollar terms. For example--if the dollar price of a franc is $ .20, that simply means that 1 dollar sells for 5 francs. If your bill states that you owe 5,000 francs the perfume order will cost you $1,000.00. ($ .20 x 5000)

In these examples the demand was for goods and services. The price of one currency in relation to another is set by supply and demand. The demand for francs is called the derived demand.

In the early 1970's the floating exchange rate market (the price of currency in relation to others being determined by supply and demand) came into existence. Before 1971 governments set the minimum exchange rates in a fixed exchange rate system. Under the fixed exchange rate system there was not as much risk of prices fluctuating.

In a floating exchange market, the fall in price of any currency is called depreciation. In a fixed exchange market devaluation of currency occurred only by government action. If the exchange rate of francs was raised from $ .20 to $ .30, in relation to dollars, the dollar has depreciated. That is, it takes fewer francs to buy a dollar. By the same token, the French franc has appreciated in value since it will buy more of the dollar. In the international money market imports are discouraged if there is a depreciation of the dollar and just the opposite occurs with an appreciation of the dollar--imports are encouraged as the dollar experiences an appreciation in value.

A balance of payments (the value of everything sold to foreign countries compared with the value of everything bought from them) deficit developed in the United States between 1950 and 1970. Other countries who held dollar surpluses at that time could demand that the U.S. buy back the surplus dollars with gold. Gold was also fixed at $35.00 an ounce. The result was that the U.S. lost over half of its gold holdings. Inflation also contributed to the balance of payments problem.

Some economists refer to the present monetary system, which is neither free nor rigidly controlled as a "dirty float". Many factors influence the floating exchange rate system. Inflation, advancements in technology, changing consumer preferences, national income levels and other changes must be considered in appraising the current system.

The challenge to world economists is to develop a stable economic order which will provide greater stability and growth to the individual economies of the world.

Key Terms: Foreign exchange rate
Depreciation of the dollar
Appreciation of the dollar
Floating exchange rate system
Balance of payments
Fixed exchange rate system
Devaluation

MATERIALS:

1. World Currency Puzzles
2. Outline Maps of the World (See page 6)
3. Currency Exchange Sheet
4. A wall world map
5. Set of Encyclopedias (These items are most useful.)

PROCEDURES:

First Day

1. Brief introduction to the international monetary system.

2. Distribute the World Currency Puzzles. (If these are not completed during the class period, ask the students to complete them at home.)

Second Day

1. Distribute the World Outline Maps and the Currency Exchange Sheets.

2. Divide the class into groups of five. (Or you may want the students to work individually.)

3. Locate as many countries as you can on the map. Use your Currency Exchange Sheet for the names of the countries.

4. On the second World Outline Map, write the name of the currency in the proper country.

Questions that might be asked:

1. What do you notice about the names of the currencies?
2. How many countries listed call their currency "peso"?
3. How many countries use "francs" as their currency term?

ACTIVITIES: Optional

1. Select a foreign country and plan your trip. Go to a local travel agency and secure information. Write a detailed description of your travel plans. Include the itinerary, the cost of the trip, necessary monetary arrangements, purchases that you plan to make and the exchange rate of the currencies. In your report also include any restrictions in regard to money that you might encounter.

2. As an executive employed by a multi-national business firm, your travels frequently take you from one country to another. Describe your travels throughout Europe and explain how your firm handles currency exchanges.

3. Interview a person engaged in the import business. Write an explanation of the financial transactions that must be made to secure the imports.

4. Visit a local brokerage firm and get the latest report on the foreign exchange rate. The print-outs are received several times during the day. Relate how the foreign exchange rate fluctuates and how this affects the dollar.

WORLD CURRENCIES

By Alice Metcalf

K	R	O	N	A	N	M	A	R	K	K	A	H
A	U	I	B	R	A	C	D	E	D	F	G	L
D	B	N	A	A	M	U	L	K	I	G	H	O
P	L	Q	R	L	S	T	Y	E	N	J	C	K
U	E	S	O	L	C	E	N	T	A	V	O	U
V	P	E	S	O	W	X	G	Y	R	Z	L	C
C	H	I	N	D	H	N	G	E	C	A	O	S
I	D	J	B	B	I	S	U	C	R	E	N	E
K	R	L	A	L	C	O	R	D	O	B	A	G
T	A	S	L	G	R	Q	B	F	O	N	M	N
U	C	I	B	O	V	A	C	A	S	H	B	I
L	H	P	O	U	N	D	E	I	H	A	P	L
S	M	C	A	R	K	P	I	A	S	T	E	R
O	A	P	M	E	N	O	A	C	B	A	S	E
S	C	M	O	E	R	U	R	U	P	E	E	T
L	E	A	E	P	E	N	N	Y	C	D	T	S
A	N	M	C	O	N	D	R	Q	Y	U	A	B
G	T	A	N	P	O	Q	E	A	Z	E	C	T
L	I	R	A	Y	R	P	D	V	E	L	R	F
E	M	K	R	D	K	A	L	C	D	I	M	E
B	E	L	F	B	O	L	I	V	A	R	Z	L
S	C	D	C	E	N	T	U	D	E	O	N	T
Q	U	E	T	Z	A	L	G	E	S	F	G	A

CURRENCIES

- Chin
- Rupee
- Baht
- Yen
- Cash
- Yuan
- Piaster
- Penny
- Rial
- Sterling
- Belga
- Pound
- Dinar
- Shilling
- Drachma
- Escudo
- Franc
- Guilder
- Krona
- Krone
- Leu
- Lev
- Lira
- Mark
- Markka
- Peseta
- Ruble
- Shilling
- Balboa
- Bolivar
- Centavo
- Colon
- Cordoba
- Gourde
- Peso
- Quetzal
- Sol
- Sucre
- Cent
- Dime
- Dollar

Directions: The names of the currencies listed can be found among these letters. The names sometimes read forward, at other times backward, up, down or diagonally. Circle the name as you seek and find.

Currency Exchange Sheet

Country	Monetary Unit
Afghanistan	Afghani
Albania	Lek
Algeria	Dinar
Andorra	Peseta
Argentina	Peso
Australia	Pound
Austria	Schilling
Bahamas	Pound
Belgium	Franc
Bermuda	Pound
Bolivia	Peso
Brazil	Cruzeiro
British Honduras	Dollar
Bulgaria	Lev
Burma	Kyat
Burundi	Franc
Cambodia	Riel
Cameroon	Franc CFA
Canada	Dollar
Ceylon	Rupee
Chad	Franc CFA
Chile	Escudo
China	Yuan
Colombia	Peso
Congo	Franc CFA
Costa Rica	Colon
Cuba	Peso
Cyprus	Pound
Czechoslovakia	Crown
Denmark	Krone
Dominican Republic	Peso
Ecuador	Sucre
Egypt	Pound
El Salvador	Colon
Ethiopia	Dollar
Finland	Markka
Formosa(Taiwan)	Dollar
France	Franc
Germany(East)	Deutsche Mark
Germany(West)	Deutsche Mark
Ghana	Pound
Great Britain	Pound
Greece	Drachma
Guatemala	Quetzal
Haiti	Gourde
India	Rupee
Iran	Rial
Iraq	Dinar
Ireland	Pound
Israel	Pound
Italy	Lira
Jamaica	Pound
Japan	Yen
Jordan	Dinar
Korea	Won
Kuwait	Dinar
Lebanon	Pound
Liberia	Dollar
Libya	Pound
Madagascar	Franc CFA
Malta	Pound
Mexico	Peso
Morocco	Dirham
Nepal	Rupee
Netherlands	Guilder
New Zealand	Pound
Nicaragua	Cordoba
Nigeria	Pound
Norway	Krone
Pakistan	Rupee
Panama	Balboa
Paraquay	Guarani
Peru	Sol
Phillippines	Peso
Poland	Zloty
Portugal	Escudo
Puerto Rico	U.S. Dollar
Rumania	Leu
Russia	Ruble
Saudi Arabia	Riyal
South Africa	Rand
Spain	Peseta
Sweden	Krona
Switzerland	Franc
Turkey	Lira
Uganda	Shilling
United States	Dollar
Venezuela	Bolivar
Vietnam	Piaster
Yugoslavia	Dinar
Zambia	Pound

THE STORY OF AN INDIAN FARMER

OBJECTIVES: Students will be able to:

1. identify the values of the farmers which are threatened by the proposed change and how they are threatened;
2. evaluate the alternatives available to the farmers;
3. describe the general characteristics of social/economic changes that are likely to receive the active support of the people being affected.
4. describe social/economic changes that have occurred or are occurring in our society that reflect or do not reflect the characteristics of a change likely to receive widespread support.

INTRODUCTION: Times change and new problems arise. This case describes a problem facing Durai, a farmer in India. Economic problems are not new in his village; however, the chance to do something about them is. Improved agricultural techniques, the availability of expert help, and government financial assistance now exist. However, how will these new opportunities change Durai's life and the lives of the other villagers? Will the changes be worth it? What are the costs of social change and economic development? How do people feel and act when big changes loom in the near future? What would you do if you were Durai?

PROCEDURES:

1. Have students read "The Story of an Indian Farmer".
2. Then lead a class discussion based the following questions:

FACTUAL QUESTIONS

1. What is the problem Durai hopes to solve or at least make less serious?
2. What is Manuel's solution to the problem?
3. How do the farmers feel and act when Manuel proposes his solution?
4. What must they give up if Manuel's solution is adopted?
5. What new problem or problems will be created by Manuel's solution?

VALUE QUESTIONS

1. What other solutions might be considered by the farmers?

2. What are the costs and benefits of these ideas?
3. How might Manuel's solution be modified?
4. What goals do the farmers want to achieve in this solution? (maintain traditional social relationships, increase income, obtain government assistance, keep control over their own land)
5. How well do the various proposals help achieve those goals?

GENERALIZING

1. When social and economic changes take place, what problems can arise?
2. What are the characteristics of a good, effective social/economic change likely to receive the active support of the people being affected?
3. What are some social/economic changes in American society that illustrate the problems of change? How do they?

3. After the discussion, read the "Afterward" to the students so they can learn what actually happened.

AFTERWARD

The farmers decide that they can not work together because it is socially unacceptable for members of different castes to work together. However, two unions are formed; one for each caste. Each union votes and elects Durai president so that he can represent the two castes when the farmers ask the government for help. This way the government officials will be satisfied and the villagers do not have to compromise the traditional ways so much. Within each union, the farmers' lands are combined so more efficient agricultural practices can be used. Durai obtains financial assistance, good fertilizers, and high quality peanut seeds. The crop is successful and soon the farmers build a peanut crushing machine. As other groups of farmers begin growing peanuts, Durai and his friends go into the peanut crushing business and make even more money. The farmers make more money than before and they are less dependent on the factory owners in Sivakasi for work and money. The success story ends on a troubling note. Durai is getting old and can not continue to lead the villages much longer. Because of his stature, the farmers want his family to continue his leadership. However. his children, who have moved away to the cities, and his grandchildren are not interested in returning to the farm. How the villagers of Nagalapuram will deal with this problem is very uncertain. Will their progress come to a halt without Durai?

THE STORY OF AN INDIAN FARMER

(Mano Talaiver, University of Georgia)

Durai lives in a village called Nagalapuram in India. His village is close to Sivakasi, which is known as the "Small Japan" of India. Sivakasi produces all the matchboxes and fireworks for the whole of India and also for export. Both matches and fireworks are cottage industries. There are more than 200 industries in this town. Only a few of the people who live in Sivakasi work in the industries as laborers. Buses are run to nearby villages by the proprietors of the industries to bring laborers, including children under the legal working age of 12. This creates the problem of not enough agricultural labor in the villages. Also, the work is seasonal so the villagers do not have regular work all the time.

Durai is the chief of the six villages on the eastern side of Sivakasi. He has 73 acres of land. He grows sugar cane, bananas, and rice on 20 acres of fertile land. Cotton, peanuts, and inferior cereals are grown on the other 53 acres. Durai has not faced any problems of production for about 20 years. He has produced just enough for his family. He sent his children to a Christian boarding school in Sivakasi. Now the daughters are to be married. The eldest son and the youngest son are highly educated and they have moved to urban areas. In fact, they visit Durai only once a year. The other son has established a small shop in the village and he is interested in farming the land which he received through the dowry from his wife's family upon their marriage.

Durai is left with his wife and the two daughters to farm all the 73 acres of land. Like the other farmers, his land is dispersed in different places in plots of only a few acres each so he can not use tractors. He needs at least 25,000 rupees for his daughters' weddings and their dowries. Actually, his position is better than the other farmers. The others have many other financial problems--more children, more school-going children, unpaid loans, habits of drinking alcohol, less land, and inadequate knowledge of scientific technology. Durai thought of the village as a whole and wanted to find a solution to the peoples' problems caused by not enough money.

His first daughter-in-law, Thargam, comes from a well-educated Christian family. Her nephew, Manuel, has specialized in agriculture and works for the government. Durai consults with Manuel about the possibilities of producing a commercial crop which will bring in more money. Manuel suggests that they convene a meeting of the village and he will present alternative ways of increasing profits.

On a Friday evening the villagers come to sit under the banyan tree in front of Durai's house. Manuel explains cooperative farming to them. This would require combining all the farmers' lands so more efficient farming methods could be used. Manuel is not very experienced yet and is surprised by the loud opposition of the farmers to his suggestion. Durai plays the mediating role and brings the meeting to order. After seeing the reactions of the farmers, Manuel starts in a different direction.

He describes the different crops that they could produce in Nagalapuram. However, most of their lands are not suited to producing rice, bananas, or sugar cane due to the type of soil. In addition to this, the farmers have not used enough fertilizers so the soil is not very rich. They have not dug deep wells, so irrigation of the lands is not possible. Every farmer nods his head in agreement, so other crops must be considered. Among the other crops, cotton and peanuts sell at good prices. But, the farmers of other districts produce cotton in fertile lands which can be used for rice production and the cotton is sold by those farmers at lower prices. It may be difficult for the farmers of Nagalapuram to compete since their lands are poorer.

The best alternative appears to be to produce peanuts. They provide a valuable protein food for both human and animal consumption. Peanuts produce good oil seeds. The government gives special incentives to farmers to produce peanuts--subsidies for seeds and fertilizers, minimum guaranteed prices through the Oilseeds Marketing Association, and loans for digging wells. However, the government has set a minimum of at least 20 acres before government assistance will be given.

The farmers do not want to put all their lands together. Letting other people help decide how to use their plots is a new and disturbing idea. If they own their own land, shouldn't they make all the decisions? Also, the village consists mainly of two castes and the members of each caste are all related to one another. Combining farm plots and working the land together with members of the other caste is entirely new and simply not right in the minds of the farmers. Perhaps Manuel's ideas for peanut farming will just not work in their village. However, the economic conditions are very poor and some solution is needed. Durai is worried that nothing will happen and life will not get better in Nagalapuram. What can he do? Is there another alternative?

CAREER OPPORTUNITIES IN THE INTERNATIONAL FIELD

INTRODUCTION: Our relations with other countries on our shrinking globe touch everyone's life today. The lesson will make students aware of the exciting career opportunities resulting from international trade.

OBJECTIVES: The student will:

1. understand the importance of their mental ability, aptitude, interest, and personality in choosing a career;
2. be made aware of career opportunities in international affairs and discuss basic educational requirements;
3. explore a career in international trade by writing for information on various careers.

MATERIALS:

1. Chalkboard, chalk and an eraser
2. Bulletin board (see Bulletin Board Design)
3. Occupational Outlook Handbook, 1980-81
4. Career Opportunities in the International Field, James E. Knott, School of Foreign Service, Georgetown University.
5. Undergraduate catalogue from a local university.
6. Georgia Directory of International Services

PROCEDURES:

1. In a class discussion, encourage students to think about their educational expectations, mental ability, aptitude, interest, and personality.
2. Have students brainstorm careers in international trade. Write their ideas on the board. Guide their responses to include the following: teacher, marketing representative, finance officer, accountant, lawyer, banker, computer specialist, trade officer in a consulate, and an import-export business person. (Other career possibilities: public international organizations, consulting firms, research organizations, national trade and professional associations, trade unions, press, radio and television.) Discuss educational requirements using occupational directories suggested. An undergraduate catalogue from a local university would be a valuable aid.
4. Stimulate students to choose a career and to learn more about it. Remind them to keep their own personal goals in mind.

EVALUATION: Require each student to find out about the career they chose. They must write a report and include a description of the career, educational requirements, personal goals and attitudes, and opportunities in the field. They may use resource directories and undergraduate catalogues.

As a supplement to the report, the student is required to write a letter to a person in the field and request additional information.

TRADE PUZZLES

CONCEPTS: Review of various concepts of previous lessons

OBJECTIVES: Given selected vocabulary puzzles, students will demonstrate their understanding of selected concepts by correctly completing the puzzles.

MATERIALS:

Puzzle #1, International Trade: A Crossword Puzzle
Puzzle #2, International Trade: A Central Word Puzzle
Puzzle #3, Word Parts and Word Recognition Exercise
Puzzle #4, Scrambled Word and Matching Exercise
Puzzle #5, Multiple Meaning Words
Puzzle #6, Barriers to Trade: Find-A-Word Puzzle
Puzzle #7, Vocabulary Development/Hidden Word Puzzle

PROCEDURES:

1. Seven different types of comprehension and vocabulary development puzzles form the core of this lesson. The teacher determines which of the puzzles are to be used by students.

2. Distribute those puzzles selected for student usage. Set aside a space in the room for the answer keys to the puzzles selected. Explain to students that as puzzles are completed they are to correct their own papers. Since this is meant to be a review exercise, the teacher will probably not want to record student scores.

3. It is recommended that if all puzzles are not used by all students, copies of those puzzles not selected be available at a pre-determined location in the classroom. Encourage students who finish the selected puzzles early to try some of the others. The teacher may wish to allow students to take home copies of the puzzles not used during class time.

4. Another option is to have copies of all the puzzles available in a learning center. The teacher can then set a minimum number to be completed by each student. Students have the responsibility of selecting those types of puzzles they wish to complete.

INTERNATIONAL TRADE: A CROSSWORD PUZZLE

ACROSS

1. tariffs, duties, and other restrictions on the free exchange of goods and services

4. mark for dollars/dollars for yen

6. exchange of goods across national borders

8. a limit on the amount of a good that can be imported or exported

9. a tax imposed by a government on a commodity that is either imported or exported

10. yen, mark, peso, dollar

13. producing only those goods which are least expensive in terms of land, labor, and capital and trading with other nations for other goods.

DOWN

2. value of goods and services exported equal value of goods and services imported

3. trade with no controls or restrictions

5. the record of a nation's international transactions for a period of time

7. a nation's product sold outside its boundaries

11. a product produced overseas and sold here in the U.S.

12. exchange of goods within national borders

ANSWERS

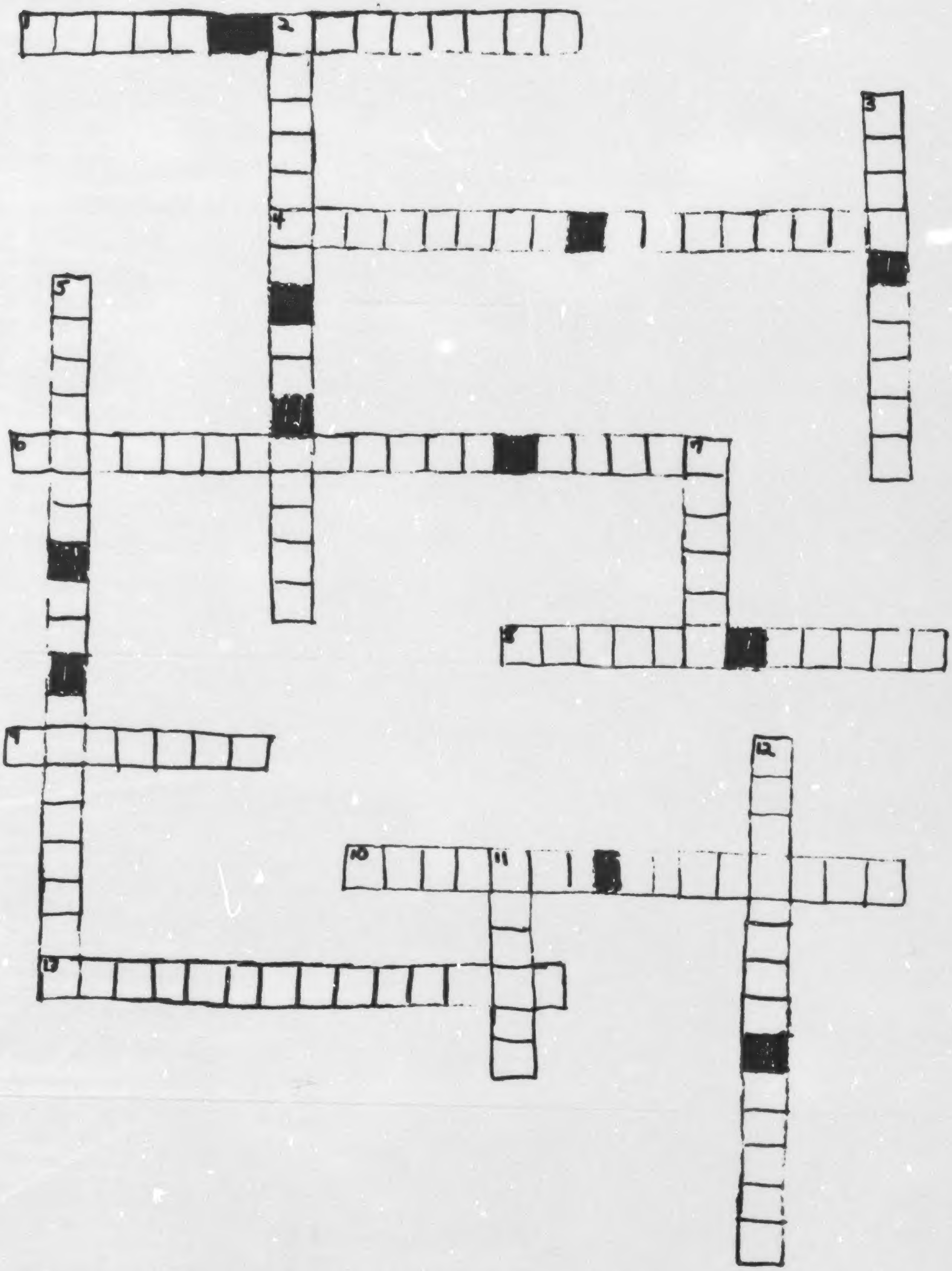
ACROSS

1. Trade Barriers
4. Currency Exchange
6. International Trade
8. Import Quota
9. Tariffs
10. Foreign Currency
13. Specialization

DOWN

2. Balance of Trade
3. Free Trade
5. Balance of Payments
7. Export
11. Import
12. Domestic Trade

INTERNATIONAL TRADE: A CROSSWORD PUZZLE



INTERNATIONAL TRADE: A CENTRAL WORD PUZZLE

DIRECTIONS: Use the definitions below to help you decide what term should be used to fill the blanks. Each term has some relationship to INTERNATIONAL TRADE. Be prepared to discuss the relationship among the terms in class tomorrow. (Hint: you will want to look carefully at the definitions and the uses of the terms in your text.)

____I__

____N_

__T_

___E _____

__R___

_____N_______

____A

_______T___ _________

____I__ ________

___O__

_N________

_A_____

______L_______

T____ _______

__R___

____A___ ____

________ _D_______

E______

DEFINITIONS:

1. A cash payment or its equivalent made by the government to a domestic industry to give it a competitive edge in the world market.

2. The number of units of a good that buyers stand ready to buy in a market at a particular time at different prices.

3. An import tax.

4. International trade unrestricted by import and export duties or by regulations designed to limit or channel trade.

5. A tax or duty imposed by a government on a commodity that is either imported or exported.

6. A corporation which operates in more than one country.

7. A limit set by the government on the import or export of a particular product.

8. A situation which exists when a nation can produce two products, both at a cost below that of another nation, but in relative terms, can produce one of the two commodities at less cost than the other.

9. Pesos, yen, marks, and francs, for example.

10. A product of one country that is sold in another country. Also, the act of selling products made in one country to other countries.

11. Purchase of land and capital goods.

12. The man-made resources used in the production of goods and services including plants, tools, and machinery.

13. Producing only those products which are the cheapest to produce and trading with other nations for other products.

14. Occurs when the value of a nation's imports is greater than the value of its exports.

15. Price you would have to pay for one unit of a specific foreign currency.

16. A situation which exists when a nation can produce a product at a cost below that of another nation.

INTERNATIONAL TRADE: A CENTRAL WORD PUZZLE

DIRECTIONS: Use the definitions below to help you decide what term should be used to fill the blanks. Each term has some relationship to INTERNATIONAL TRADE. Be prepared to discuss the relationship among the terms in class tomorrow. (Hint: you will want to look carefully at the definitions and the uses of the terms in your text.)

subsIdy
demaNd
duTy
freE trade
taRiff
multiNational
quotA
comparaTive advantage
foreIgn currency
expOrt
iNvestment
cApital
speciaLization

Trade deficit
caRtel
exchAnge rate
absolute aDvantage
Embargo

WORD PARTS AND WORD RECOGNITION EXERCISE

DIRECTIONS: In this exercise you will use word parts to help you understand some terms which are used in international trade. You need to thoroughly understand the meaning of each term.

You will need to know the meaning of the following prefixes for this exercise. Remember, a prefix is a word part which is attached at the beginning of another word.

inter - between
in - not
multi - many, multiple
ex - out of, from
im - in or into

Use the prefixes to help form a meaning for each term. Write your definition in the space provided. Each term is illustrated in a sentence.

1. INTERDEPENDENT - ____

Sentence: When the economy of a nation is based on specialization and exchange, the people of the economy become interdependent with people of other nations.

INDEPENDENT - ____

Sentence: A country can always remain independent if it is willing to pay the price in the form of a lower standard of living and doing without commodities which must be imported from other countries.

2. INTERNATIONAL - ____

Sentence: The use of direct controls is one approach to the regulation of international exchange flows.

MULTINATIONAL - ____

Sentence: International investment is an important process which may be transmitted from one country to another through private business investments, such as those from multinational corporations.

3. EXPORT - ____

____

Sentence: Motor vehicles and parts, electrical machinery, aircraft and parts, and farm products are among the major export commodities of the United States.

IMPORT - ____

____

Sentence: The United States does not import its oil equally from all foreign producers.

ASSIGNMENT: Using the 6 words in this exercise, write a news story about oil using ideas relative to the "energy crisis", "oil glut", OPEC cartel, uses of petroleum and its products, or any other ideas you may have.

SCRAMBLED WORLD AND MATCHING EXERCISE

I. Unscramble the words in capital letters. Write the word in the space provided. Each term has to do with international trade.

1. TEPORX 1. ____________________

2. PIRTOM 2. ____________________

3. GEMRAOB 3. ____________________

4. FITRAF 4. ____________________

5. TYUD 5. ____________________

6. TOAUQ 6. ____________________

7. REEF DEART 7. ____________________

8. RETLAC 8. ____________________

9. DETINRETNEPEND 9. ____________________

II. Select the word from above that matches the definition below. Place your selection in the blank provided.

1. _______ A limit set by the government on the import or export of a particular product.

2. _______ A product of one country that is sold in another country to other countries.

3. _______ An association formed for the purpose of regulating the purchase, production, or marketing of goods by its members.

4. _______ A tax or duty imposed by a government on a commodity that is either imported or exported.

5. _______ A product produced overseas and sold here in the U.S.

6. _______ Characteristic of an economy which is based on specialization and trade.

7. _______ An import tax.

8. _______ An order restricting or forbidding trade.

9. _______ International trade unrestricted by import and export duties or by regulations designed to limit or channel trade.

MULTIPLE MEANING WORDS

DIRECTIONS: Each word in Part I is defined in terms of its use in areas other than Economics. For Part I, use each word in a sentence illustrating one of the definitions given.

Part I

1. DUTY - moral obligation; imperative, indebted to, obligatory
   Sentence:

2. MARKET - store, bazaar, mart, shop; Wall Street, stock exchange
   Sentence:

3. DEMAND - require, order, command
   Sentence:

4. SUPPLY - provide, furnish, give
   Sentence:

5. CAPITAL - excellent, paramount, good; primary, major, principal
   Sentence:

6. QUOTA - allotment, share
   Sentence:

7. TRADE - business; profession, occupation
   Sentence:

8. INVESTMENT - endowment, clothe; confer
   Sentence:

Part II.

DIRECTIONS: In Part II, define each term as it would be used in ECONOMICS. Use your economics textbook, notes, or other resources to find the definition. If you use a dictionary, be sure to locate and use the definition which relates to ECONOMICS. Use each term in a sentence to illustrate its use in economics.

TERM	DEFINITION	SENTENCE
DUTY		
MARKET		
DEMAND		
SUPPLY		
CAPITAL		
QUOTA		
TRADE		
INVESTMENT		

BARRIERS TO TRADE: FIND-A-WORD PUZZLE

There are 12 vocabulary words in this "find-a-word" puzzle which relate to international trade and barriers to trade. Find the words. Circle the words as you find them. They may be found vertically or horizontally.

A I N T E R N A T I O N A L T R A D E
B N C R E G U L A T I O N S R D E U F
G C H J L B A R R I E R N O U P Q T R
C O M P E T I T I O N S U W S Y C I D
I M K M T V X Z F E B C A R T E L E G
E E F H J L T Y F N U Z Q U O T A S O
I I M P O R T T A X P V A D M Q W B E
K M R X C F H J N O T S U B S I D Y S

Using the words you found, write a story about one country which tried to keep foreign-made products from being imported. Describe the product, give the reason the country wanted to keep it out, and describe the methods used to stop the foreign competition.

BARRIERS TO TRADE: FIND-A-WORD PUZZLE

There are 12 vocabulary words in this "find-a-word" puzzle which relate to international trade and barriers to trade. Find the words. Circle the words as you find them. They may be found vertically or horizontally.

A I N T E R N A T I O N A L T R A D E
B N C R E G U L A T I O N S R D E U F
G C H J L B A R R I E R N O U P Q T R
C O M P E T I T I O N S U W S Y C I D
I M K M T V X Z F N U Z Q U O T A S O
I I M P O R T T A X P V A D M Q W B E
K M R X C F H J N O T S U B S I D Y S

Using the words you found, write a story about one country which tried to keep foreign-made products from being imported. Describe the product, give the reason the country wanted to keep it out and describe the methods used to stop the foreign competition.

VOCABULARY DEVELOPMENT/HIDDEN WORD PUZZLE

The following exercise is to help you review what you learned about foreign trade. Locate and circle each economic word in the puzzle and write them in the spaces provided below. There are seventeen words or initials related to "Buying and Selling Between Nations."

D A N T I P R O T E C T I O N I S T S F
U E F T A E D E F T A E R E E T R A D E
M G A T T H L C Z F E O P W C I A R T N
P I I X R O M A O V B N U I M M G E R A
I N N Q P M J K W M L C X Z Q P R C A T
N F D R Y E M N E O P X O L K O E I D I
G A U J O M V B N X F A I S R R E P E O
D N S E O A M N C F P C R B T T M R A N
U T T X W R O L L F H O S A P Y E O C A
T X R Q V K E M N I C V R S T U N C T L
Y B I X C E C M I R X R O T E I T A U I
E J E M N T D F S A A W O P X B V L K S
E X S O P E C L K T C B U T Y R Q E R M
C I N T E R N A T I O N A L C A R T E L

1. ______________

2. ______________

3. ______________

4. ______________

5. ______________

6. ______________

7. ______________

8. ______________

9. ______________

10. ______________

11. ______________

12. ______________

13. ______________

14. ______________

15. ______________

16. ______________

17. ______________

VOCABULARY DEVELOPMENT/HIDDEN WORD PUZZLE

The following exercise is to help you review what you learned about foreign trade. Locate and circle each economic word in the puzzle and write them in the spaces provided below. There are seventeen words or initials related to "Buying and Selling Between Nations."

D A N T I P R O T E C T I O N I S T S F
U E F T A E D E F T A E R E E T R A D E
M G A T T H L C Z F E O P W C I A R T N
P I I X R O M A O V B N U I M M G E R A
I N N Q P M J K W M L C X Z Q P R C A T
N F D R Y E M N E O P X O L K O E I D I
G A U J O M V B N X F A I S R R E P E O
D N S E O A M N C F P C R B T T M R A N
U T T X W R O L L F H O S A P Y E O C A
T X R Q V K E M N I C V R S T U N C T L
Y B I X C E C M I R X R O T E I T A U I
E J E M N T D F S A A W O P X B V L K S
E X S O P E C L K T C B U T Y R Q E R M
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